Exhibit 2

EXHIBIT 2
DATE 1-14-09
HB

DEPARTMENT OF PUBLIC HEALTH AND HUMAN SERVICES

BRIAN SCHWEITZER
GOVERNOR

JOAN MILES
DIRECTOR

STATE OF MONTANA

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PO Box 4210
HELENA, MT 59604-4210

January 13, 2009

To: Health and Human Services Subcommittee

From: Anna Whiting Sorrell, Director

Re: Children's Health Insurance Program (CHIP) Reauthorization – Congressional Actions

I wanted to provide you a brief update regarding the most current Congressional actions related to the federal reauthorization of CHIP.

- There are two CHIP Reauthorization bills which Congress will address this week:
  - HR 2 will be introduced on the House floor tomorrow (1/14) and a vote in the House appears imminent.
  - Senator Baucus' "Chairman's Mark" is scheduled to be marked up in the Senate Finance Committee on Thursday (1/15). A full vote by the Senate is also considered imminent.
- Both the House bill and the Chairman's Mark largely mirror the first bill passed by the House and Senate in September 2007 but vetoed by the President.
- It appears language in the Senate Chairman's Mark addresses the "Once CHIP, Always CHIP" issue and Montana would not need to pay for a Medicaid expansion for children with federal funds allotted for CHIP.
- DPHHS is analyzing the federal CHIP Reauthorization legislation to determine the impact on the state's implementation of I-155, the Montana Healthy Kids Plan.

Exhibit 2

Department of Public Health and Human Services
Human and Community Services Division
FY2011 Biennium Goals and Objectives

EXHIBIT 2
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Guiding Principles:

- Sustainability
- Efficiency
- Effectiveness

Themes:

- increased self- sufficiency
- safety net

HCSD Goals and Objectives:

- increase the economic security and self-sufficiency of Montana families.
- ensure the health and safety of Montanans by providing essential services and linkages to community resources.

Measurements:

TANF

- provide basic cash grant
- engage all families in allowable work activities
- meet Federal work participation requirements

Food Stamp

- meet all Federal accuracy and timeless requirements
- expand the use of Food Stamps (SNAP)

Medicaid Eligibility

- meet all Federal accuracy and timeless requirements
- co-ordinate with all public health care programs

LIEAP

- provide coast-effective energy conservation measures to low-income families
- provide eligible households assistance with heating bills

Childcare

- provide affordable, accessible, quality childcare for low-income families by adequately reimbursing childcare providers and serving families without a waiting list.

Department of Public Health and Human Services
Director's Office
FY2011 Biennium Goals and Objectives

Guiding Principles:
- Sustainability
- Efficiency
- Effectiveness

Themes:
The Office provides leadership and direction for the agency, and oversees the four overarching goals of the Department:
- All Montana children are healthy, safe and in permanent, loving homes.
- All Montanans have the tools and support to be as self-sufficient as possible.
- All Montanans are injury free, healthy and have access to quality health care.
- All Montanans can contribute to the above through community service.

DO Goal:
- Improve and protect the health, well-being, and self-reliance of all Montanans.

DO Objectives:
Human Resources
- Ensure personnel policies and processes are equitable and fair;
- Ensure continuity of operations through a qualified and trained workforce

Legal
- Provide timely and accurate legal support, advice and consultation;

Office of Budget and Finance
- Provide leadership direction to ensure the faithful execution of the enacted budget, programs, regulations and policies.
- All budgets are established in a timely, accurate manner with the appropriate controls that ensure that actual expenditures cannot exceed approved budgets.

Office of Planning, Coordination & Analysis
- Assist top management in the analysis and development of policy determining impact on clients in services through advanced professional research, statistical reporting, analysis, and interpretation of health care data (e.g. Medicaid);
- Monitor to ensure the proper management of the MMIS system

Measurements:
Human Resources
- Succession planning to strengthen the pool of qualified applicants for positions;

Department of Public Health and Human Services
Child Support Enforcement Division
FY2011 Biennium Goals & Objectives

Guiding Principles:

- Sustainability
- Efficiency
- Effectiveness

Theme:

- Financial and Medical Support for Children

CSED Goal:

- Diligently pursue and ultimately achieve financial and medical support of children

CSED Objective:

- Obtain support for children by continuously improving our ratings on federal child support performance standards.

Measurement:

- Continuously increase child support collections
- Maintain the IV-D paternity establishment percentage
- Maintain the percentage of cases with child support orders
- Continuously increase the percentage of cases with current child support collections
- Continuously increase the percentage of cases with arrears child support collections
- Increase the cost effectiveness ratio
- Continuously increase the number of children with medical support.

Department of Public Health and Human Services
Public Health & Safety Division
FY2011 Biennium Goals and Objectives

Guiding Principles:
- Sustainability
- Efficiency
- Effectiveness

Themes:
- Healthy Montana
- Public Safety

PHSD Goal:
- Improve the health of Montanans to the highest possible level

PHSD Objectives:
- Prevent and control communicable disease
- Reduce the burden of chronic disease
- Provide accurate and timely laboratory testing and results
- Provide programs and services to improve the health of women, children and families
- Prepare the public health system to respond to public health events and emergencies

Measurements:
- Prevent and control communicable disease
  - Continuously increase the proportion of children (19-36 months) fully immunized
  - Continuously reduce annual cases of Chlamydia

- Reduce the burden of chronic disease
  - Continuously reduce the proportion of high school students smoking cigarettes in the past 30 days
  - Continuously reduce the proportion of adults currently smoking
  - Continuously increase the proportion of persons aged 50 years and older who have had a colorectal exam

- Provide accurate and timely laboratory testing and results
  - Continuously increase the proportion of local health jurisdictions and public health clinics with access to accurate, reliable testing services (clinical and drinking water)

- Provide programs to improve the health of women, children and families
  - Continuously reduce the rate of birth for teenagers aged 15 through 17 years

Department of Public Health and Human Services
Quality Assurance Division
FY2011 Biennium Goals and Objectives

Guiding Principles:

- Sustainability
- Efficiency
- Effectiveness

Theme:

- Public Safety
- Government Efficiency

QAD Goal:

- Continuous improvement in the Department's efforts to protect the health, safety, and well being of Montanans by:
  - Maintaining an environment that promotes Montana health care facilities, youth care facilities, child care facilities and facilities serving individuals with physical and developmental disabilities to be in compliance with applicable laws and regulations.
  - Provide program integrity oversight, audit, and impartial decisions that enhance the effectiveness and efficiency of department operations.

QAD Objectives:

- Perform licensure inspections and certification surveys for the respective facilities and providers as established within the applicable state and federal laws.
- Provide program integrity oversight and maximize cost avoidance and recoveries for applicable agency programs in accordance with state and federal laws.
- Conduct independent audits of agency programs and services and provide agency management with evaluations of internal work processes.
- Provide timely and impartial administrative hearings and decisions and Informal Dispute Resolution (IDR) conferences and recommendations.

Measurement:

- Perform licensure inspections and certification surveys for the respective facilities and providers as established within the applicable state and federal laws.
  - Perform licensure inspections and issue licenses for the respective facilities as established within state law.

Department of Public Health and Human Services
Technology Services Division
FY2011 Biennium Goals and Objectives

Guiding Principles:

- Sustainability
- Efficiency
- Effectiveness

TSD Goal:

- Ensure that information technology resources are efficient, responsive, secure, cost-effective and available when needed.

TSD Objective:

- Continually work to provide state of the art support and service to our customers. We will achieve this objective by:
    - Knowing what our customers want/need
    - Deploying best practices and best technology to meet these needs

Measurement:

- The objective is measured by
    - Customer Satisfaction surveys conducted quarterly for new system developments and semi-annually for other services will receive ratings of "agree" or "strongly agree" 85% of the time. Baseline surveys will be conducted Fall 2008.
    - Keep all development project at "green light" status with the State CIO's office at least 70% of the time.

- Improve and maintain a effective system of community based services for persons with developmental disabilities while emphasizing informed consumer choice
    - Develop a Medicaid Waiver to more effectively serve individuals with autism
    - Continually work to improve the infrastructure of our community based providers
    - Continue to provide services to new individuals on the developmental disabilities waiting list, including those who are transitioning from school to adult life.

- Improve the quality of life for all Montanans with disabilities through education, innovation, and technology by enhancing communication options
    - Continuously increase our distribution of equipment to individuals who are eligible for the Montana Telecommunications Access Program

- Continuously increase the proportion of primary care providers who receive training on using a standardized child health screening tool
- Continuously increase the proportion of primary care providers who report screening data

Department of Public Health and Human Services
Addictive and Mental Disorders Division
FY2011 Biennium Goals and Objectives

Guiding Principles:

- Sustainability
- Efficiency
- Effectiveness

Themes:

- Healthy Montana
- Community Based Services
- Public Safety
- Government Efficiency

AMDD Goal:

- Provide services that sustain and improve the lives of individuals with mental illness and addictive disorders, in appropriate settings.

AMDD Objectives:

- Develop and support a community based system of care for adults that is recovery-focused and consumer-driven, and includes evidence-based modalities.
- Increase capacity of communities to provide appropriate crisis response services.
- Improve the use of data for service delivery and management of programs.
- Collaborate with the Department of Corrections to improve outcomes for offenders with serious mental illnesses and co-occurring substance use disorders.
- Provide effective inpatient treatment that enables sustainable recovery in communities.
- Decrease the incidence of suicide across all age groups.
- Improve efficiency for access to services (information sharing, records transfer, etc that may lead to faster and more efficient entry to needed services).

Measurements:

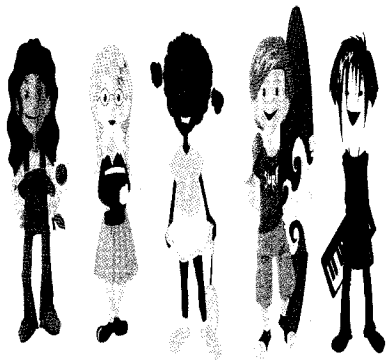
- Develop and support a community based system of care that is recovery-focused and consumer driven, and includes evidence-based modalities:
    - implement the Illness Management and Recovery treatment model for consumers
    - provide direction and support to providers for delivery of recovery-focused services that results in improved outcomes for employment, housing, and other major life domains
    - continue to increase the number of providers trained in strength-based case management
    - increase the use of peer services

Health Resource Division
Healthy Montana Kids Plan

Current CHIP / Medicaid

CHIP

134% - 175% FPL



MEDICAID

Children only

<=133% FPL

Healthy Montana Kids Plan

Children uninsured
or underinsured

Total new population up to 250% FPL

29,187

HMK-CHIP

Enrollment for HMK-CHIP

186% - 250% FPL

18,061

HMK - MEDICAID

Enrollment for HMK-MEDICAID

<=185% FPL

11,126

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Note: On November 4, 2008, CHIP enrollment was 17,240 and Medicaid enrollment for children was 46,711.

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Health Resources Division

January 2009
Presentation to:

Health and Human Services Joint Subcommittee

by
Mary Dalton
Medicaid & Health Services Manager,
Director's Office
Phone 444-4084 email:mdalton@mt.gov

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Health Resources Division

Overview of the Health Resources Division

The Health Resources Division (HRD) administers Medicaid acute and primary care services, children's mental health services, the Big Sky Rx program and the Children's Health Insurance Plan (CHIP). The Division manages over 60 separate medical and mental health services and/or programs. Eligibility determinations for CHIP and Big Sky Rx are also completed by Division staff.

The purpose of the Division is to improve and protect the health and safety of Montanans. The Division develops tools, measurements and reports necessary to allow division management to administer and control programs and expenditures in the division, and to report those results in an accurate and timely manner to others. The Division strives to provide superior customer service in a respectful, fair, and timely manner.

The Division is organized into six bureaus:

- Medicaid Administration and Fiscal Services
- Acute Services
- Hospital and Clinic Services
- Children's Mental Health
- Children's Health Insurance Plan
- Managed Care

The Division reimburses private and public providers for a wide range of preventive, primary, acute care and mental health services. No direct medical or mental health services are provided by Division staff. Major service providers include: physicians, public health departments, clinics, hospitals, dentists, pharmacies, durable medical equipment, and mental health providers.

The majority of services in the Division are funded through Medicaid. Medicaid is a voluntary state/federal partnership that reimburses for medical services for the aged, blind, disabled, children and low-income families.

A small federal SAMHSA grant provides regional infrastructure and very limited services for children with mental health needs.

The 2005 legislature created 3 separate pharmacy assistance programs: Big Sky Rx, a premium assistance program for people enrolled in Medicare Part D; a prescription drug consumer information and technical assistance program which includes educational resources; and PharmAssist, a program that links Montanans with a licensed pharmacist for consultations that provide advice on the prudent use of prescription drugs and how to access government or private prescription drug programs and discounts. Eligibility for the pharmacy assistance programs is determined by the division. These are funded by Health & Medicaid Initiatives account (I-149).

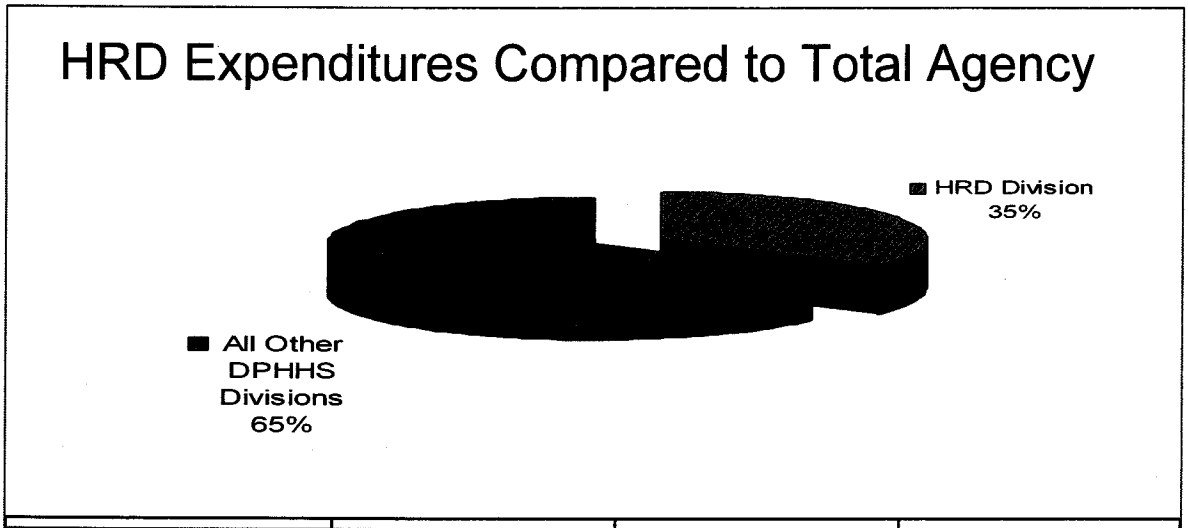
The Division operates CHIP as a separate health insurance program for children. It contracts with Blue Cross Blue Shield to provide third party administrator services for the majority of medical benefits. CHIP dental, eyeglasses, and SED wrap-around benefits are managed by staff. Payment to providers for these three services is made through a contract with the Medicaid fiscal intermediary. CHIP client eligibility is determined by the Division. CHIP is funded by a federal grant that is matched with state funds.

HRD Program Contacts

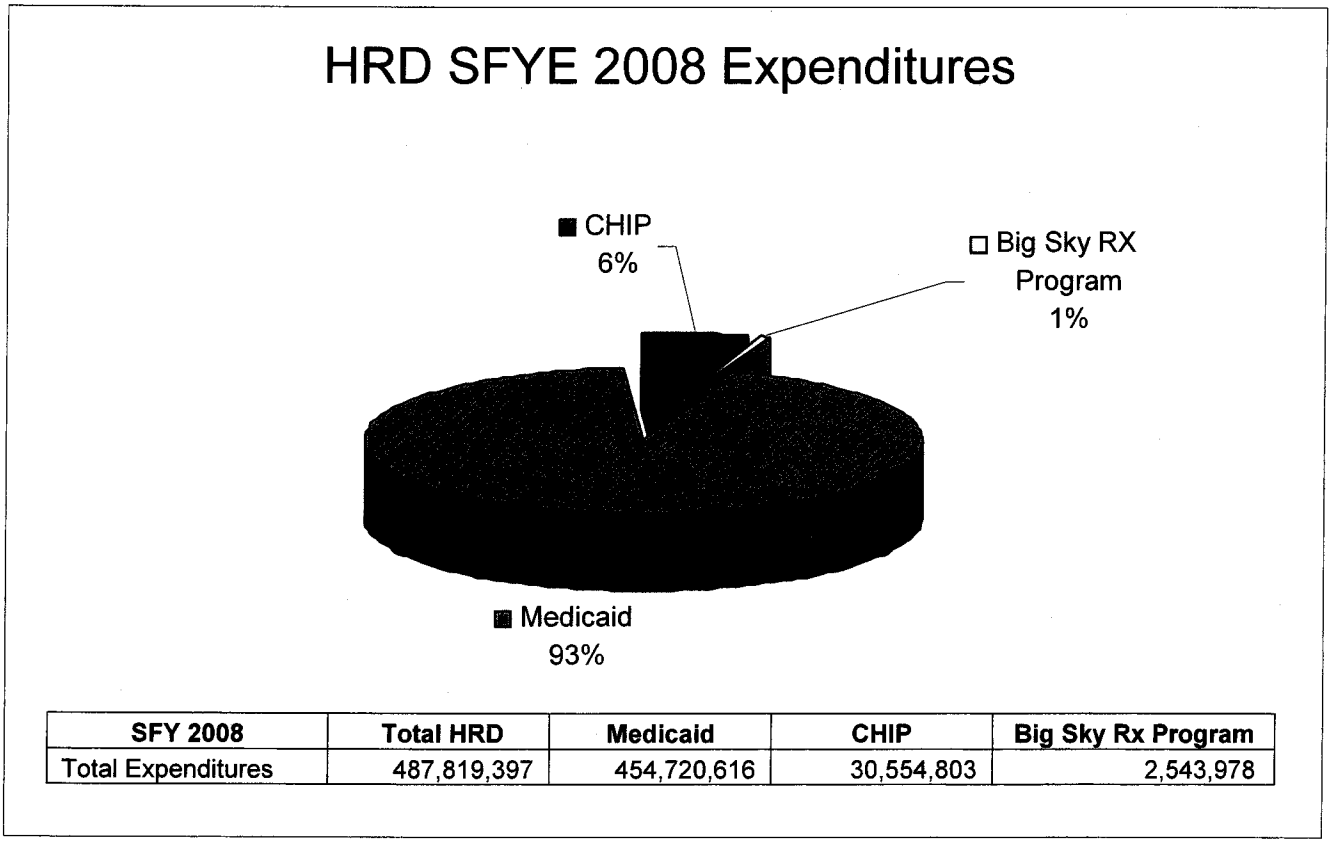
Name	Phone	Email
Vacant, HRD Administrator	444-4540	
Dan Peterson, Acute Services Bureau Chief	444-4144	danpeterson@mt.gov
Jackie Forba, Children's Health Insurance Plan (CHIP) Bureau Chief	444-5288	jforba@mt.gov
Bonnie Adee, Children's Mental Health Bureau Chief	444-1290	badee@mt.gov
Beckie Beckert-Graham, Medicaid Administration & Fiscal Bureau Chief	444-3681	rbeckertgraham@mt.gov
Brett Williams, Hospital & Clinic Services Bureau Chief	444-3634	bwilliams@mt.gov
Mary Noel, Managed Care Bureau Chief	444-4146	manoel@mt.gov
Mary Dalton, Medicaid & Health Services Manager, Director's Office	444-4084	mdalton@mt.gov

Budget Overview

The charts below represent the division's expenditure and funding history within the agency and within the identified programs. HRD is primarily funded with federal funds, then general fund and state special revenue.

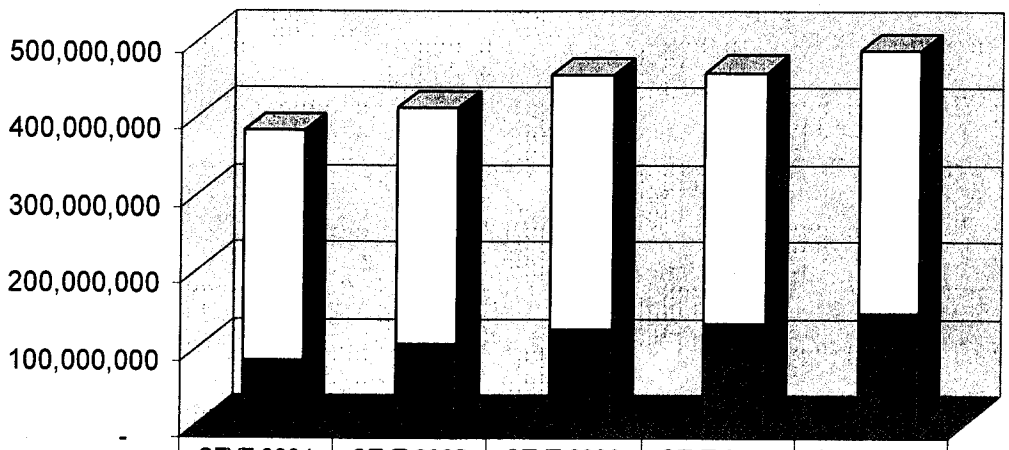


SFY 2008	HRD Division	All Other DPHHS Divisions	Total Agency
Total Expenditures	487,819,397	920,473,814	1,408,293,211



SFY 2008	Total HRD	Medicaid	CHIP	Big Sky Rx Program
Total Expenditures	487,819,397	454,720,616	30,554,803	2,543,978

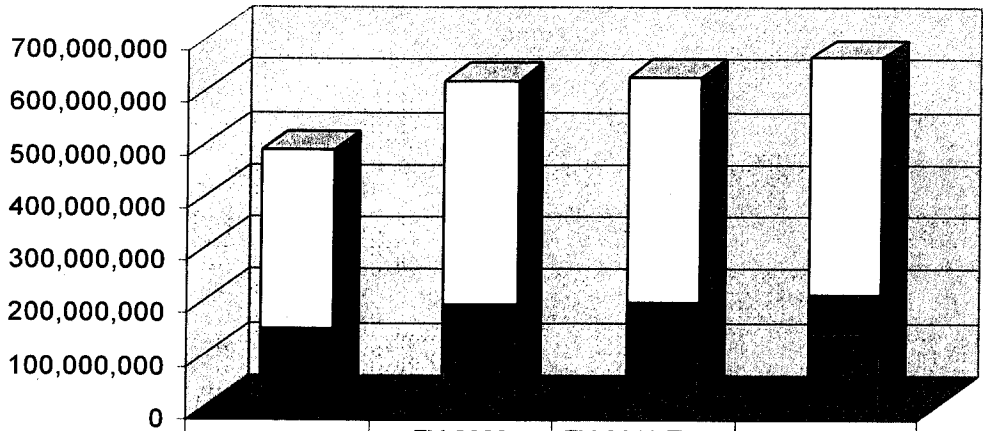
HRD Historical Expenditures



	SFYE 2004	SFYE 2005	SFYE 2006	SFYE 2007	SFYE 2008
□ Federal Fund	297,927,549	307,892,289	332,543,203	326,453,388	340,532,078
■ State Special Revenue	14,302,095	16,034,194	23,746,824	30,426,202	39,859,727
■ General Fund	71,665,413	88,994,486	99,892,844	103,613,554	107,427,592

■ General Fund ■ State Special Revenue □ Federal Fund

SFY 2008 Expended, FY 2009 Appropriated & FY 2010/2011 Requested



	SFY 2008	FY 2009 Appropriated	FY 2010 Total Request	FY 2011 Total Request
□ Federal	340,532,109	426,311,181	428,134,905	452,645,556
■ State Special Revenue	39,209,729	54,136,558	67,420,556	71,467,187
■ General Fund	107,427,618	137,973,423	129,285,151	139,591,484

■ General Fund ■ State Special Revenue □ Federal

The division contains 87.00 FTE. In the last session, the legislature approved 1.00 FTE for the family planning waiver. This waiver was submitted in July of 2008. The Centers for Medicare and Medicaid is reviewing this waiver and anticipates approving this waiver in the summer of 2009. This FTE was not filled because the waiver is not yet operational. The division also received 5.00 FTE for CHIP's self -administration. The CHIP FTE have been hired.

Significant funding issues are:

- CHIP reauthorization is discussed on page 42.
- Healthy Montana Kids is discussed on page 47.
- I-149 tobacco tax funds for Medicaid, CHIP and Big Sky Rx on page 23,41 and 38 respectively .
- I-146 tobacco settlement funds for CHIP on page 41.
- Hospital Utilization fee is discussed on page 26.

Statutory Requirements

Federal - 42 CFR & Title 19 of Social Security Act (Medicaid)
Public Health Services Act, Title V, Part E, Section 516 (SAMHSA) as amended
Public Law 120-321, 42 U.S.C
Section 6063 of the Deficit Reduction Act (Medicaid Grant)
Title XXI of the Social Security Act, 42 CFR Part 457 (CHIP)
State -Title 53, chapter 6 MCA (for Medicaid authorization)
15-66-102 MCA (hospital utilization fee)
16-11-119 MCA & 53-6-1201 MCA (tobacco tax)
17-6-606 MCA & 17-6-603 MCA (tobacco settlement)
Title 53, chapter 4, part 10 MCA (CHIP)

Significant issues

- Developing accurate Medicaid cost estimates for the 2011 biennium will be difficult
- Funding amounts and the timing of the Congressional reauthorization of CHIP is uncertain at this time
- Implementation of I-155 Healthy Montana Kids will necessitate several changes to Medicaid & CHIP
- The New Proposal for Medicaid coverage of workers with disabilities
- MMIS re-procurement (in Long-Range Planning Joint Subcommittee)

Major Accomplishments

- Increased Medicaid eligibility for pregnant women up to 150%.
- Dental Access Contracts
- FQHC expansion
- Big Sky Rx enrollment increases
- Psychiatric Residential Treatment Facility Grant implementation
- Family Planning Waiver Submitted
- CHIP Self-Administration & Enrollment increases
- System of Care Account implementation
- APR-DRG implementation

Goals and Objectives

Guiding Principles:

- Sustainability
- Efficiency
- Effectiveness

Themes:

- Health Care Access

HRD Goal:

- Assure necessary health care is available to all eligible Montanans

HRD Objectives:

- Reduce the number of uninsured Montana children
- Provide access to Medicaid dental services in private dental offices and community health centers
- Increase mental health treatment options for children in a community setting rather than in a facility.
- Increase the percentage of children with Medicaid health care coverage who receive well-child screen services

Measurements:

- Reduce the number of uninsured Montana children
    - Continuously increase the number of low to moderate income Montana children who are enrolled in the Children's Health Insurance Plan (CHIP)
- Provide access to Medicaid dental services in private dental offices and community health centers
    - Continuously increase dental access for Medicaid recipients
    - Continuously increase the number of clients who receive dental care at community health centers
- Increase mental health treatment options for children in a community setting rather than in a facility.
    - Continuously decrease the number of children who receive mental health treatment in a residential facility.
- Increase the percentage of children with Medicaid health care coverage who receive well-child screen services
    - Continuously increase the proportion of primary care providers who receive training on using a standardized child health screening tool
    - Continuously increase the proportion of primary care providers who report screening data

Health Resources Division's Decision packages

PL 11001: Medicaid Physical Services Caseload

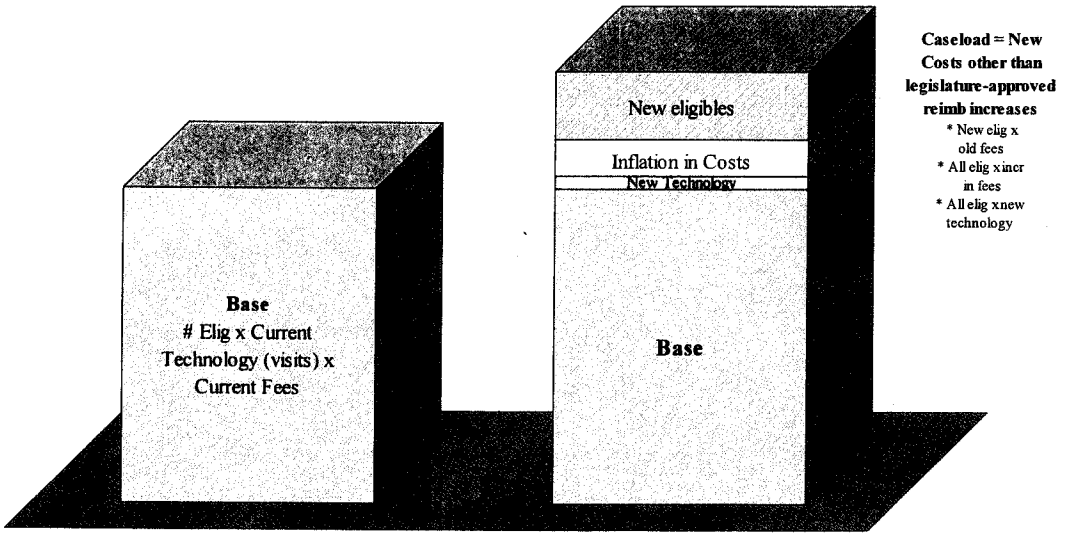
Funding	FY 2010	FY 2011	Total
General Fund	$11,319,776	$16,691,141	$28,010,917
State Special Revenue	$762,065	$2,351,735	$3,113,800
Federal	$26,916,020	$41,404,668	$68,320,688

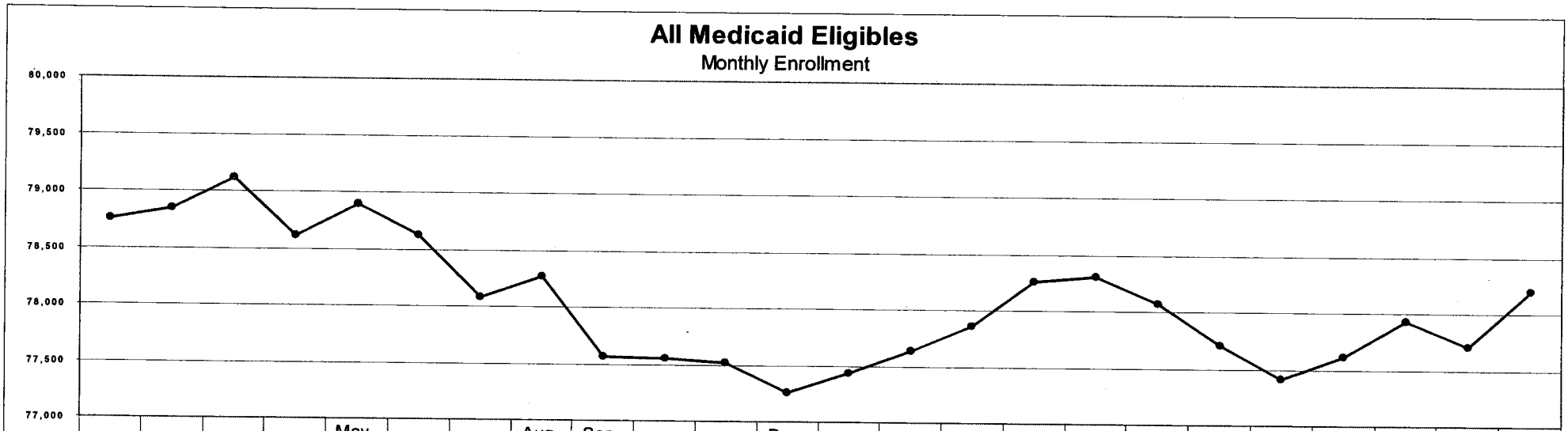
- This request adds $68.3 million in federal funds, $28 million in general fund and $3.1 million in state special funds for the biennium. This request reflects changes necessary in the Medicaid primary care budget in the Health Resources Division to reflect changes in Medicaid caseload. Medicaid is an entitlement program. Therefore any person who meets eligibility criteria for the program is eligible for the program.

- Caseload growth also includes:
  - Inflation
  - New Technology costs
  - Pharmacy Costs
  - New Eligibles
  - Clinic Increases

- LFD analysis and comments are on pages B-201, 207, 217, 219, 220.

Caseload, inflation and utilization increases





	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08
Total	78,752	78,846	79,123	78,610	78,894	78,618	78,086	78,268	77,569	77,551	77,517	77,264	77,438	77,637	77,860	78,256	78,305	78,068	77,700	77,417	77,614	77,927	77,704	78,202
Adults	31,788	31,747	31,855	31,619	31,665	31,457	31,232	31,282	31,059	31,144	31,074	30,924	30,981	30,988	31,117	31,279	31,282	31,179	31,117	31,050	31,057	31,216	31,059	31,225
Children	46,964	47,099	47,268	46,991	47,229	47,161	46,854	46,986	46,510	46,407	46,443	46,340	46,457	46,649	46,743	46,977	47,023	46,889	46,583	46,367	46,557	46,711	46,645	46,977

PL 11002: Medicaid FMAP

Funding	FY 2010	FY 2011	Total
General Fund	$3,997,007	$5,668,701	$9,665,708
State Special Revenue	$0	$0	$0
Federal	($3,997,007)	($5,668,701)	($9,665,708)

- This request provides a general fund increase of over $9.6 million for the biennium, with an offsetting decrease in federal funds.
- This request is due to the projected changes in the Federal Medical Assistance Percentage (FMAP) rates for FY 2010 and FY 2011.
- These amounts are necessary to meet the state match requirement. The Federal Government pays a share of the medical assistance expenditures under each State's Medicaid program. That share, known as the Federal Medical Assistance Percentage (FMAP), is determined annually by a formula that compares the State's average per capita income level with the national income average.

FMAP

- Federal medical assistance percentage (FMAP) is part of the Jobs and Growth Tax Relief Reconciliation Act of 2003 (TRRA).

1) FMAP is calculated on the per capita income for Montana vs. the U.S.

FMAP RATES-MEDICAID Enhanced -	FMAP RATES-CHIP
FY 2006 - 70.66%	FY 2006 - 79.62%
FY 2007 - 69.29%	FY 2007 - 78.63%
FY 2008 - 68.59%	FY 2008 - 78.07%
FY 2009 - 68.08%	FY 2009 - 77.71%
FY 2010 - 67.45%	FY 2010 - 77.30%
FY 2011 - 67.03%	FY 2011 – 76.97%

2) LFD references are on pages B-219, 235.

PL 11003: Medicare Buy-In Caseload

Funding	FY 2010	FY 2011	Total
General Fund	$939,691	$1,754,193	$2,693,884
State Special Revenue	$0	$0	$0
Federal	$1,950,776	$3,566,379	$5,517,155

- Adds approximately $5.5 million in federal funds and $2.7 million in general fund over the biennium for Medicaid caseload growth in the Medicare Buy-In program.
- The Medicare Buy-in program is mandated by federal law
- Cost effective program that allows the state to purchase Medicare coverage for Medicaid recipients that are dually eligible for Medicare and Medicaid. Medicare then covers the cost of most services for the individual with no further Medicaid liability.
- Caseloads are expected to grow by 1.1% per year due to normal demographic trends, and Medicare premiums are projected to grow by 12% per year.
- LFD reference is on page B-219.

PL 11004: Medicaid Breast & Cervical Cancer

Funding	FY 2010	FY 2011	Total
General Fund	$15,698	$32,986	$48,684
State Special Revenue	$0	$0	$0
Federal	$53,456	$110,245	$163,701

- Adds $163,701 in federal funds and $48,684 in general fund over the biennium for Medicaid caseload in the Breast and Cervical Cancer Treatment Program.
- The individual must be under 65 years of age, uninsured, and have a family gross income at or below 200% of the federal poverty level. Individuals eligible under this program are covered for health care services under the Basic Medicaid program for the duration of treatment.
- Early detection of breast & cervical cancer allows for early intervention and treatment. Besides saving lives, this early intervention can provide for decreased health care costs in the future.
- LFD reference is on page B-208.

PL 11005: Clawback Base Adjustment

Funding	FY 2010	FY 2011	Total
General Fund	$853,782	$1,302,427	$2,156,209
State Special Revenue	$0	$0	$0
Federal	$0	$0	$0

1. This decision package reflects the Medicare Prescription Drug, Improvement and Modernization act of 2003 (MMA) change that requires the state to pay a monthly fee for those individuals whose Medicaid drug coverage was assumed by Medicare Part D. This request is for $2.1 million over the biennium in general fund.

2. The Clawback is part of the federal change that occurred with the Medicare Modernization Act (MMA), which implemented Medicare coverage of prescription drugs under Part D. The federal government, through Medicare, now pays prescription drug costs for people who are eligible for both Medicare and Medicaid. Because these drugs were previously reimbursed by Medicaid (which is partially funded by federal dollars) states are required to pay back to the federal government a phased down contribution, or "clawback" of some of the money they are saving. The clawback payment is adjusted each year based on Montana's medical expenditures and is estimated to increase at 2.3% per year, over this biennium.

3. LFD reference is on page B-208.

PL 11006: Medicaid Caseload - Children's Mental Health

Funding	FY 2010	FY 2011	Total
General Fund	$2,304,067	$3,123,441	$5,427,508
State Special Revenue	$22,796	$75,471	$98,267
Federal	$4,830,513	$6,503,580	$11,334,093

4. Request adds close to $16.9 million in total funds, including $5.4 million in general fund, $11.3 million in federal funds and $98,267 in state special funds over the biennium for Medicaid caseload growth in the Children's Mental Health Program.

- In order to properly establish the Children's Mental Health Medicaid budget for FY 2010 and FY 2011, caseload changes must be accounted for. The department utilizes a complex set of projections from several sources to try to account for these changes. Statistics and trends relating to monthly eligibility, type of provider, number of services, cost per service, and health care inflation are taken into account in the Department's projections. Failure to account for changes in caseload could materially misstate the base budgets in FY 2010 and FY 2011.

- LFD analysis and comments are on pages B-232, 233, 234.

PL 11007: Indian Health Services Caseload

Funding	FY 2010	FY 2011	Total
General Fund	$0	$0	$0
State Special Revenue	$0	$0	$0
Federal	$2,431,146	$3,534,592	$5,965,738

- Medicaid provides reimbursement for medical services to Medicaid eligible Native Americans who receive those services through an Indian Health Services (IHS) facility.
- Medicaid contracts with IHS to provide Medicaid services for all seven Montana reservations.
- The department acts as a "pass through" for IHS, and the services are paid with 100% federal funding.
- By federal law, IHS facilities are paid in accordance with the most current Federal Register Notice.
- LFD analysis and comments are on page B-219.

PL 11008: CHIP Caseload

Funding	FY 2010	FY 2011	Total
General Fund	$887,370	$1,274,391	$2,161,761
State Special Revenue	$1,143,839	$1,605,996	$2,749,835
Federal	$6,916,849	$9,626,720	$16,543,569

- This request reflects the caseload growth for CHIP. CHIP caseload consists of the number of eligibles, utilization, and patient acuity levels. This decision package requests $21.5 million in total funds. The biennial funding is $2.2 million in general fund, $2.7 million in state special revenue funds and $16.5 in federal funds
- The CHIP program, currently, has no wait list.
- LFD analysis and comments are on pages B-227, 228. DP11008 is also referenced on page B-229.

PL 11009: CHIP SSR Fund Adjustment

Funding	FY 2010	FY 2011	Total
General Fund	$0	$0	$0
State Special Revenue	$925,614 ($925,614)	$925,614 ($925,614)	$0
Federal	$0	$0	$0

- This is a budget request to reduce funding from Tobacco Settlement dollars (I-146) $925,614 in each year of the biennium and increase funding from the Tobacco Tax (I-149) $925,614 in each year of the biennium. The net result of this fund switch will be zero.

- LFD reference is on page B-229.

PL 11010: Medicaid Organ Transplants

Funding	FY 2010	FY 2011	Total
General Fund	$0	$0	$0
State Special Revenue	$1,000,000	$1,000,000	$2,000,000
Federal	$2,075,977	2,033,060	$4,109,037

- Currently, Medicaid covers all organ transplants for children. Adults are eligible for cornea, kidney and bone marrow transplants. Previously, adults were excluded from coverage for all other transplants (examples: heart, lung, liver, multi-organ) because these procedures were considered experimental. This exclusion was implemented as a cost control measure in HB2 in the 90's. The Department has, however, covered both the pre & post transplant costs if an individual was able to obtain the transplant. Today most transplant procedures are no longer considered experimental. People with transplants go on to live with much fewer restrictions than when they were ill "pre-transplant". This decision package requests funding of $6,109,037 over the biennium ($2 million state special revenue and $4,109,037 federal funds) to expand the types of non-experimental transplants that adults may receive. Transplant candidates are rigorously screened for medical necessity. Overall incidence of organ transplants for Medicaid clients in Montana is very low, but if the transplant is not available, the Medicaid client will likely die.
- LFD analysis and comments are on page B-219.

PL 11011: Healthy Montana Kids Plan

Funding	FY 2010	FY 2011	Total
General Fund	$0	$0	$0
State Special Revenue	$17,393,802	$18,598,969	$35,992,771
Federal	$35,178,639	$37,420,017	$72,598,656

- This present law request is for $36 million in state special revenue (SSR) funds and $72.6 million in federal funds over the biennium to expand Montana's Medicaid and CHIP programs for children's health insurance as required by the passage of voter Initiative 155 - Healthy Montana Kids. These funds will cover new enrollment in the programs after November 4, 2008. This request is contingent upon federal approval of a state plan amendment and the receipt of matching federal funds.

- The Health Resources Division (HRD) requests $15,663,866 in SSR funds in FY 2010 and $17,065,752 in SSR funds in FY 2011 along with federal funds to address expanded benefits and administrative costs including 6.00 FTE.

- The Technology Services Division requests $197,145 in SSR funds and $325,410 in federal funds in FY 2010 to complete programming requirements and updates to multiple information technology systems to accommodate the Medicaid and CHIP expansion.

- The Human and Community Services Division requests $3,065,583 total funds for FY 2010 including $1.5 million in SSR funds, and $3,066,434 total funds in FY 2011 including $1.5 million in SSR funds for 54.00 FTE to handle Medicaid eligibility expansion and operating costs, such as new office space and rent, computers, software, telephones, etc. associated with new FTE.

- Implementation of the new Healthy Montana Kids Plan is contingent upon receiving the appropriate federal funding needed. This request assumes re-authorization of the federal S-CHIP bill in the next congressional session. If re-authorization is not approved, or if language does not permit the expansion of Montana CHIP to 250% Federal Poverty Level (FPL), this request still includes the expansion of Medicaid for children under 19 years to 185% FPL through the state plan amendment, if approved.

- LFD analysis and comments are on pages B-229, 230.

PL 11034: Big Sky Rx Base Adjustment – Biennial

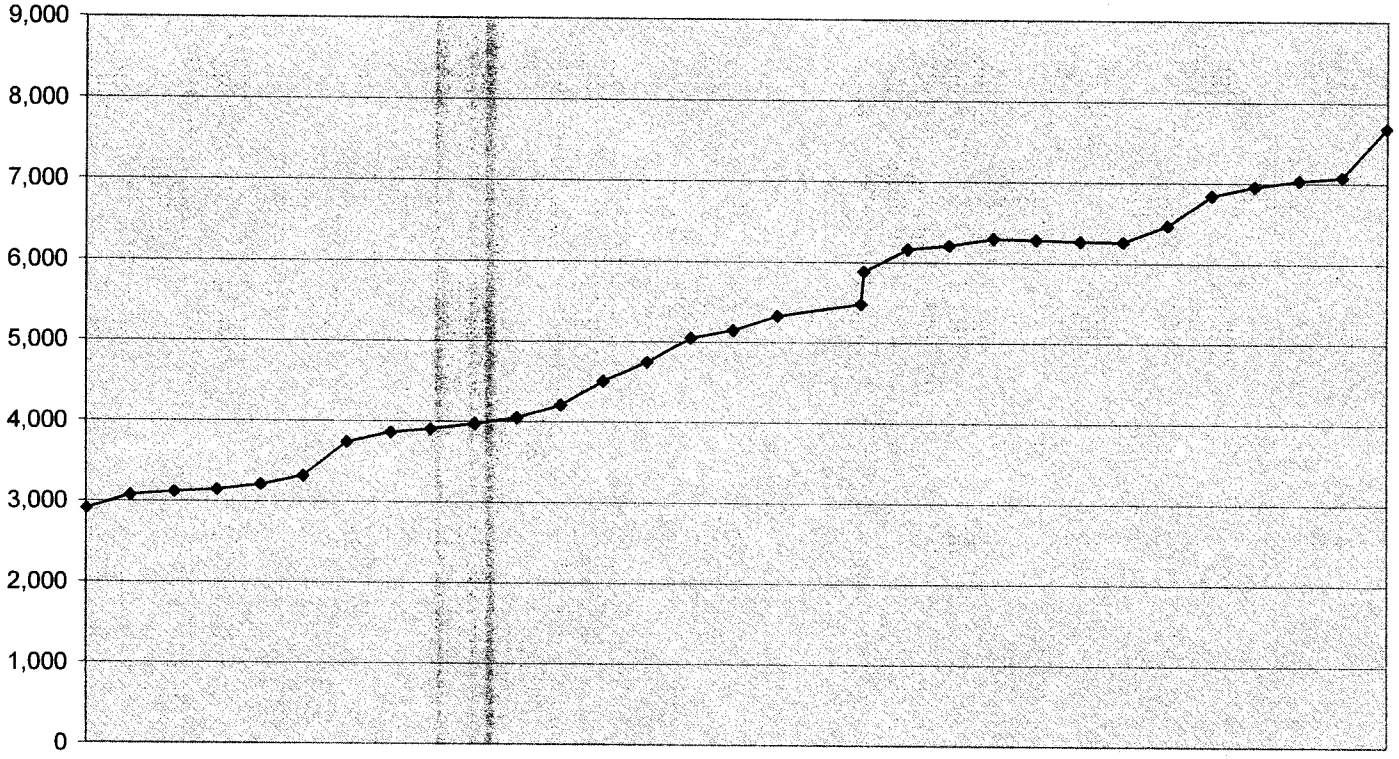
Funding	FY 2010	FY 2011	Total
General Fund	$0	$0	$0
State Special Revenue	$3,200,000	$3,200,000	$6,400,000
Federal	$0	$0	$0

- The Big Sky Rx program was funded with I-149 funds. This decision package provides biennial appropriation authority for the projected cash flow of $3.2 million each fiscal year of the biennium. This would also provide funding for previously approved enrollment projections.

- Annualize the Big Sky Rx program with a monthly average enrollment of 10,674 in FY 2010 and 14,959 in FY 2011. The current enrollment is 7,684.

- LFD analysis and comments are on pages B-239, 240, 241.

Big Sky Rx Enrollment



	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09
Series1	2,907	3,073	3,113	3,144	3,210	3,315	3,739	3,857	3,905	3,974	4,044	4,206	4,505	4,740	5,045	5,144	5,321	5,473	5,880	6,165	6,213	6,299	6,287	6,268	6,263	6,469	6,842	6,957	7,033	7,074	7,684

PL 11035: PharmAssist Program

Funding	FY 2010	FY 2011	Total
General Fund	$0	$0	$0
State Special Revenue	$234,980	$234,980	$469,960
Federal	$0	$0	$0

- The PharmAssist program was funded with I-149 funds. This decision package provides appropriation authority for the projected cash flow of $ 469,960 in each fiscal year of the biennium.

- The PharmAssist program started in March, 2008. This program allows a licensed pharmacist to consult with individuals on their medication usage. This assistance offers information on ways of controlling medication costs and prudent use of medications. It has a goal of providing participants with additional health benefits from proper use. Since PharmAssist started in March, 2008, this decision package annualizes the program. It is funded by state special revenue. It is available to all Montana citizens.

- LFD analysis and comments are on pages B242, 243.

•Expanded justification:

•1. Why is this proposal needed? &

•2. What are the goals of the proposal?

•Beginning March 2008 the Montana PharmAssist program became available to Montanans and is open to all Montana citizens regardless of age or income. PharmAssist is for all Montana citizens that can benefit from a no cost in depth consultation with licensed and credentialed participating pharmacists.

•The Department has partnered with the University of Montana, Skaggs School of Pharmacy and Mountain-Pacific Quality Health Care to create a program where citizens can sit down with a participating pharmacist to review and discuss their total pharmaceutical regimen.

•The goals of the program are to offer Montana citizens:

•An avenue to investigate ways of controlling medication costs and maximizing drug therapies while at the same time deriving additional health benefits from proper and prudent use of medications.

•An opportunity to build and strengthen the relationship with their participating community pharmacist. The participating pharmacist is providing medication management recommendations.

•An opportunity to improve communication with their healthcare provider.

•An opportunity to receive education and support for efforts in taking a more active role in their own healthcare regimen.

•Other goals are:

•To improve communication between primary-care providers and pharmacists: Pharmacists involved in this program are not diagnosing, treating medical conditions or prescribing medications. The participating pharmacist is providing medication management recommendations.

•Pharmacists involved will provide a comprehensive accounting of all medical conditions and medication therapies giving a complete picture for building personalized treatment plans.

•**3**. How will progress be measured? & **4**. When will key activities to the proposal be completed?

•Presently, 15 providers are participating and additional 158 pharmacists have been trained. We hope to increase the number of participating pharmacists, and are requesting funding to continue operations to serve all Montanans.

•**5.** Who will do the work?
•The administrative work is being completed by current Health Resources Division staff and contracted services.
•Local community pharmacists provide the medication counseling.
•**6.** How does the funding work?
•The program is funded through tobacco tax revenue from I-149.
•**7.** What are the challenges to implementing this proposal?
•The challenge for our young program has been establishing a provider base to provide service throughout Montana. Recently we completed a survey of potential pharmacists and are encouraged with the number of respondents that plan to participate as providers. Also in response to our survey findings we are redesigning the certification training to better meet the constraints, both time and geographical, of pharmacists.
•**8.** What is the risk to the state if the proposal is not adopted?
•The risk to Montanans of the spiraling cost of prescription drugs is the fallout from those high costs that are affecting every economic strata of Montana. Many Montanans choose not to take medications as prescribed or never fill their prescriptions because they simply cannot afford them. Montana PharmAssist is dedicated to providing an innovative way to ensure that all Montanans have access to first-rate health care by providing an avenue to investigate ways of controlling medication costs while at the same time deriving additional health benefits from proper and prudent use of medications.

PL 11039: Hospital Utilization Fee

Funding	FY 2010	FY 2011	Total
General Fund	$0	$0	$0
State Special Revenue	$4,249,643	$4,929,269	$9,178,912
Federal	$8,822,159	$10,021,500	$18,843,659

- This decision package provides an increase to the base spending authority and the federal match for the hospital utilization fee for each fiscal year. An increase of $4.2 million in state special revenue and an increase in $8.8 million in federal funds are requested in FY 2010. In FY 2011, $4.9 million in state special revenue and $10 million in federal funds are requested.

- The Montana Medicaid program has historically reimbursed the hospitals in the State of Montana at a rate less than the cost of providing these hospital services to the Medicaid clients. Without the utilization fee, we project that Medicaid reimbursement will fall short 66% of charges in SFY 2011. This hospital utilization fee is used to bring Medicaid reimbursement closer to 100% of the cost to service a Medicaid client.

- The Interim Committee on Children and Families has introduced HB71 to repeal the sunset provisions on the hospital utilization fee. Representative Diane Sands is the sponsor.

- LFD analysis and comments are on pages B-220, 221, 222.

PL 11041: CHIP - FMAP Rate Increase

Funding	FY 2010	FY 2011	Total
General Fund	$109,939	$160,464	$270,403
State Special Revenue	$125,343	$175,639	$300,982
Federal	($235,282)	($336,103)	($571,385)

- This decision package reflects the federal participation rate change (FMAP). This adjustment is for $300,982 in tobacco settlement funds and $270,403 in general fund over the biennium and a reduction in Federal funds of the same amount.

- The fund adjustments are due to the federal participation rate changes expected in FY 2010 and FY 2011. These amounts are necessary to meet the state match requirement. The Federal Government pays a share of the medical assistance expenditures under each state's CHIP program. That share, known as the Federal Medical Assistance Percentage (FMAP), is determined annually by a formula that compares the state's average per capita income level with the national income average. The state's percentage then is adjusted up or down depending on the outcome of the FMAP formula.

- LFD analysis and comments are on page B-230.

PL 11042: PRTF Reimbursement To Include State Plan Services

Funding	FY 2010	FY 2011	Total
General Fund	$154,302	$156,486	$310,788
State Special Revenue	$0	$0	$0
Federal	$320,328	$318,144	$638,472

- This decision package requests additional funding necessary to reimburse Psychiatric Residential Treatment Facility (PRTF) providers for all Medicaid state plan services as clarified by CMS. The funding for this decision package is $310,788 in general fund and $638,472 in federal funds over the biennium.

- Increased funding is necessary to reimburse Psychiatric Residential Treatment Facility (PRTF) providers for all Medicaid state plan services needed while youth are in PRTFs. Recent CMS recoveries in other states have clarified that PRTF providers are financially responsible for services that Montana Medicaid was reimbursing other providers for (example psychiatrist or dental services). PRTF providers may not be able to purchase these services at Medicaid rates. Moreover, they may encounter catastrophic expenses on individual youth that are not accounted for in the per diem rate. This decision package annualizes the program. The change started in SFY 2009.

- LFD analysis and comments are on page B-235.

NP 11016: Dental Expansion- Removed
NP 11029: Federal Mandate to TGF and TFC- Removed
NP 11033: Provider Rate Increase – CHIP- Removed

NP 11036: Medicaid Grant

Funding	FY 2010	FY 2011	Total
General Fund	$118,060	$128,137	$246,197
State Special Revenue	$0	$0	$0
Federal	$118,059	$128,137	$246,196

- The 2007 legislature approved an executive request for a federal demonstration grant authorized by the Federal Deficit Reduction Act of 2005. The grant allows the state to pursue a home and community based service waiver (HBCS) look-alike as an alternative to utilizing psychiatric residential treatment facility services for children with serious emotional disturbance. This budget request is for $236,119 in FY 2010 with $118,060 general fund and $256,274 in FY 2011 with $128,137 general fund.

- Implementation of the grant began 10/1/07 in Yellowstone County. The grant was not fully expended in FY 2008. Due to delayed program start-up, annualized costs are needed. The grant will expand to an additional 3 sites during the 2011 biennium. FTE and operating costs are needed to expand the grant to these additional sites.

- LFD analysis and comments are on page B-236, 237.

•Expanded justification:
•1. Why is this proposal needed?
•The 2007 legislature approve an executive request for a federal demonstration grant authorized by the federal Deficit Reduction Act of 2005. The grant allowed the state to pursue a home and community based service waiver (HCBS), as an alternative to utilizing psychiatric residential treatment facility services for children with serious emotional disturbance. Implementation of the grant began 10/1/07 in Yellowstone County. The grant was not fully expended in FY 2008 due to delayed program start-up, annualize costs are needed. The grant will expand to an additional 3 sites during the 2011 biennium. FTE and operating costs are needed to expand the grant to these additional sites.
•2. What are the goals of the proposal?
•Goal 1: Offer youth with SED the choice of home and community-based alternatives to psychiatric residential treatment facilities.
•Objectives:
•Within Waiver Year 1, enroll and track 20 Yellowstone County youth with SED.
•Waiver Year 2, enroll and track a total of 30 youth in two other counties within the state. Waiver years 3-5 enroll and track 50 youth in two more counties. A total of 100 youth will be served.
•Measure success through functional outcomes, cost effectiveness, consumer surveys and cost neutrality.

•Goal 2: Ensure the availability of wraparound, culturally competent, participant centered HCBS for youth with SED.
•Objectives:
•Strengthen the local multi-agency teams that exist.
•Create waiver participant-centered Wraparound Teams while avoiding duplication of effort.
•Goal 3: Engage waiver participants in system design.
•Objectives:
•Define mechanisms to ensure that participant and provider feedback reaches administrators, management, utilization review and evaluation contractors.
•Encourage and assist waiver participant participation in the Administrative Rules of Montana (ARM) rule making process.
•3. How will progress be measured?
•Federally mandated CMS 7372 report which includes a section regarding Quality of Services rendered, as well as budget neutrality of the waiver.
•4. When will key activities to the proposal be completed?
•The DRA Grant and subsequent PRTF HCBS Waiver are for five years.
•5. Who will do the work?
•A program director oversees the work at all five sites; there is a plan manager for each county the waiver is located in. Currently the waiver is located in Yellowstone County but will begin in 3 other counties.
•6. How does the funding work?
•Medicaid reimburses for services provided to youth with SED enrolled in the Waiver at FMAP. Administrative costs are 50/50 percent. All costs associated with the grant services are reimbursed via the DRA Grant.
•7. What are the challenges to implementing this proposal?
•Inherent challenges to bringing up a new waiver in other sites such as outreach to potential clients; hiring plan managers; locating office spaces; establishing provider networks; educating stake holders regarding the waiver and referral process; as well as educating parents, providers, etc. to the wraparound delivery service model.
•8. What is the risk to the state if the proposal is not adopted?
•Potential increase in costs as youth with SED will be placed in a more costly and restrictive setting. Potential increase in costs as youth with SED return to out-of-home placements because the intense work with families is not able to take place when the youth is out of the home.

NP 11043: Medicaid for Workers with Disabilities

Funding	FY 2010	FY 2011	Total
General Fund	$70,937	$117,710	$188,647
State Special Revenue	$0	$0	$0
Federal	$108,596	$202,174	$310,770

- The Health Resources Division is requesting $449,417 for the biennium, of which $188,647 is state general fund and $310,770 is federal funds for the Medicaid for Workers with Disabilities program (MWD).

- LFD analysis and comments are on pages B-223, 224, 225.

•Expanded justification:

•1. Why is this proposal needed?

•The Health Resources Division is requesting $449,417 for the biennium, of which $188,647 is state general fund and $310,770 is federal funds for the Medicaid for Workers with Disabilities program (MWD).

•Health coverage is a huge issue today for all Montanans, but for a person with a disability it's especially critical. Their health coverage is tied to their ongoing eligibility for SSI or SSDI so many either elect not to work or limit their hours or actual wage level to maintain their eligibility. They are not willing to risk losing their health coverage. This is particularly true if the individual uses personal assistance services, or has high cost prescriptions or specialized transportation needs. Thus, the fear or actual loss of health care coverage serves as a major disincentive for people with disabilities to work or work as much as they or their employers desire.

•Greatly improve the long and short-term financial independence of current SSI and SSDI recipients by eliminating the barriers to health care and other needed services and supports while creating financial incentives to work.

•Encourage people by offering the Medicaid for Workers with Disabilities, which is an employment initiative to enhance the level of economic self-sufficiency for persons with significant disabilities (will encourage people with disabilities to work or increase their level of work).

•2. What are the goals of the proposal?

•Increase the number of individuals with disabilities with substantial gains in employment

•Increase the earnings of individuals with disabilities

•Increase the number of persons who have some of their health care needs paid for by private insurance

•Increase the number of persons with disabilities who have reduced dependency or are no longer dependent on cash benefits or health care entitlement services

•Increase the state's labor force through the inclusion of people with disabilities

•Protect and enhance workers healthcare, other benefits, and needed employment supports

•3. How will progress be measured?

The program will monitor on an annual basis:

•The number of individuals entering MWD program

•The number of participants who were Medicaid enrollees prior to enrollment

•The number of participants who were employed before and after entering MWD and hours worked

•Participation in other benefit and health insurance programs before and after entering MWD

•Participant monthly earnings before and after entering the MWD program

•Number of participants with earnings above Social Security Administration (SSA) substantial gainful activity (SGA) limit

•Participants' Medicaid costs

•Participants' premium payments

•4. When will key activities to the proposal be completed?

•Program framework established and approval from CMS before January 1, 2010

•First participants enrolled by January 2010

•5. Who will do the work?

•Two FTE—DPHHS Office of Public Assistance (OPA). Eligibility staff will be responsible for determining if individuals are eligible and assist individuals with enrolling in the MWD program.

• Medicaid Infrastructure Grant's (MIG) purpose is to assist states with establishing programs such as the MWD. The funding is 100 percent federal and is awarded to the states via a grant process. The Department has applied for additional funding but has not yet been notified of the award. The Project Director will take the lead for the administrative activities related to the program such as training for intake specialists, marketing the program to people with disabilities who want to work, reporting data on the buy-in to CMS and the Department.

•6. How does the funding work?
•Medicaid benefits will be funded at the general fund and federal fund FMAP rates.
•7. What are the challenges to implementing this proposal?
•Defining policy options that encourage individuals with disabilities to increase their work-related earnings, focusing the program on people with high earning capacity, and finding a cost-effective premium structure.
•The main features of the MWD Program in order of impact on enrollment and costs are:
•Income eligibility limit
•Amount of earned income disregarded for income eligibility determination
•Resource eligibility limit
•Premium amount and monthly cost share
•Income level above which participants are required to pay a premium
•8. What is the risk to the state if the proposal is not adopted?
•This proposal is a high priority item for the administration and for people with disabilities. If this proposal were not adopted, needed assistance with healthcare coverage for people with disabilities would not be available. As a result, these people would be limited in their ability to work and to be independent. The cost to the state would be greater as they continued on cash benefits and healthcare entitlement services.

NP 11044: Provider Rate Increase -Medicaid - Removed

Health Resources Division

Overview of the Acute Services Bureau

Acute Services Bureau Programs (Medicaid)

The Acute Services Bureau manages the Medicaid benefit for 19 allied health programs. It also manages the Big Sky Rx and related pharmacy assistance programs, school based services and breast and cervical cancer program funding. The bureau strives to provide superior customer service in a respectful, fair, and timely manner. The purpose of the bureau is to improve and protect the health and safety of Medicaid clients.

The Acute Services Bureau administers the following Medicaid programs: Pharmacy; Dental; Durable Medical Equipment (DME); School Based Services; Medicaid Administrative Claiming (MAC); Home Infusion Therapy; Audiology; Hearing Aids; Optometry; Eyeglasses, Therapies (physical, occupational and speech), Transportation; Ambulance; Private Duty Nursing; Nutrition; Chiropractic; and the Breast and Cervical Cancer programs.

Big Sky Rx is discussed in a separate program narrative found on page 38.

Pharmacy Program

The Medicaid Pharmacy program reimburses participating pharmacies for appropriately prescribed drugs. The program develops cost containment tools and measurements to ensure client access to appropriate pharmaceuticals. The program develops provider reimbursement methodologies in accordance with State and Federal regulations. The Medicaid pharmacy program uses an automated point of sale system, where pharmacy claims are adjudicated in real-time. Drug coverage criteria is developed by the Drug Use Review Board operating under a contract with Mountain-Pacific Quality Health. The bureau operates the drug rebate collection program for Medicaid and Mental Health Services Program in the Addictive & Mental Disorders Division.

School Based Services Programs

The School Based Services program provides additional federal funding to schools. The Office of Public Instruction and local schools participating in the program, certify the state match fund for the federal Medicaid match. OPI / schools provide the general fund dollars necessary to obtain the match of federal funds. Schools bill through the Medicaid Claims payment system but are only paid the federal portion of the payment. Schools provide some services directly and contract for others. The funds provide for professional and paraprofessional mental health services. Funds are also used to pay for health-related services written into a child's individual education plan (IEP) such as; physical, occupational, and speech therapy; private duty nursing; audiology; personal care attendants; and special needs transportation.

The Montana Medicaid Administrative Claiming (MAC) Program is a component of school-based services that allows school districts and cooperatives to be reimbursed for some of

the costs associated with administration of school-based health services. Each school is responsible for the general fund dollars necessary to obtain the match of federal funds.

Medicaid Breast and Cervical Cancer Program

The Medicaid Breast and Cervical Cancer Program is an administrative/fiscal means of describing a category of clients who are eligible for Medicaid and their associated benefit costs. Since 2001, Montana has accepted federal funds to screen persons for breast and cervical cancer (the grant itself is administered by the Public Health and Safety Division). As a condition of receiving the grant, Medicaid eligibility is extended to persons with income under 200 percent of the federal poverty level who participate in the screen and who are determined to have breast or cervical cancer. The Medicaid services covered are those included in the basic Medicaid service package available to low-income adults.

HRD Program Contacts

Acute Services Bureau Chief	Dan Peterson	444-4144	danpeterson@mt.gov
Medicaid & Health Services Manager, Director's Office	Mary Dalton	444-4084	mdalton@mt.gov

Statutory Requirements

Federal – 42 CFR & Title 19 of Social Security Act

State - Title 53, chapter 6 MCA (Medicaid Authorization); 16-11-119 MCA and 53-6-1201 MCA (tobacco tax)

Budget Overview

Funding for the Acute Services Bureau (excluding Big Sky Rx) is a federal/state partnership. 64.91% of funding for the program comes from the federal government. On the state side, Acute Services is funded with 1.54% tobacco interest, 1.2% Medicaid Third Party, .99% tobacco tax, .08% intergovernmental transfers, and 31.28% general fund.

Major Accomplishments

Dental

- Expanded coverage from stainless steel to porcelain crowns.
- Allow the application of Fluoride Varnish by Medical Providers.
- Provide a list (accessed through the website) of dentists who are Medicaid providers.
- Provide 'wallet' cards at Dental offices informing patients of Medicaid travel benefits.

Pharmacy

- Implemented Smart PA system through a federal Transformation grant
- Automated, real time, evidence-based prior authorization system which houses Montana specific clinical rules for pharmacists and providers at the point of sale.
    - Transparent to pharmacy and prescriber

- Medical data – SmartPA uses medical (ICD-9, CPT, etc.) & pharmacy claims data to determine the appropriateness of medications.
- Increased maximum dispensing fee for in-state pharmacies from $4.70 to $4.94.
- Implemented new prescription compounding regulations compliant with OIG and CMS
- Successfully implemented the federal Tamper-resistant prescription pads requirement.
- Implemented a 90 day supply of medication for maintenance drugs for conditions such as heart disease, high blood pressure, diabetes, womens' health and thyroid.

DME

- Continue work group to communicate with providers on DME changes and use the work group's expertise in making appropriate decisions:
  - Adopted Medicare fees
  - Adopted rules to allow payment for DME for use outside the home for clients who go to work or school
  - Adopted prior authorization criteria for: shower chairs; blood glucose monitors; gait trainers; wheel chair seating for clients in the nursing home; and Group 2 support surfaces. The criterion leads to better health care management and aligns the program with Medicare policy which eliminates confusion for providers.
  - Set sensible limits on equipment and supplies.

School Based Services

- Eliminated the requirement of Passport provider authorization for school based services. Streamlines delivery of care and claims processing.
- Used the school allowed inflationary cost percentage to increase the reimbursement of the mental health service CSCT provided by the 9 mental health agencies across the state who bill for mental health services in schools.
- Number of schools participating in Medicaid has increased from 223 in January 2007 to 368 in December 2008.

Health Resources Division

Overview of Hospital & Clinical Services Bureau

The Hospital and Clinical Services Bureau manages the following Medicaid Services: Critical Access Hospitals (CAHs); inpatient and outpatient hospital; ambulatory surgery centers; freestanding dialysis clinics; Federally Qualified Health Centers (FQHCs); and Rural Health Clinics (RHCs). The Bureau manages the hospital utilization fee which is collected by the Department of Revenue. The Bureau operates one service that is funded with 100% general fund, the end-stage renal disease program. It also operates the Indian Health Services program. This 100% federally funded program is discussed further in this document on page 37.

Hospital Services

Hospital Services include both inpatient and outpatient services for in-state and out of state hospitals. These hospitals consist of prospective payment hospitals (PPS) and critical access hospitals (CAH). Hospitals are funded by both general fund appropriation and the hospital utilization fee.

Montana has 15 in-state hospitals that are paid under the prospective payment system. All out-of-state hospitals are paid prospectively. A prospective payment system groups like services together and then makes a payment based on the average resources needed to pay for the condition (example, a normal vaginal birth without complications pays $5,051). This diagnostic grouping is called DRG. Most (43) hospitals in Montana are Critical Access Hospitals (CAHs). CAHs are reimbursed on a cost basis. This is done to preserve access since CAHs have very few Medicaid only inpatient stays and Medicare reimburses based on costs.

Rural Health Clinics and Federally Qualified Health Centers

Rural Health Clinics (RHC) and Federally Qualified Health Centers (FQHC) are designated centers for Medicaid and Medicare reimbursement purposes that provide primary care and preventive services. A RHC or FQHC must be in a rural area that is designated as a healthcare professional shortage area or that has medically under served population. These facilities are reimbursed for their costs of providing care using a prospective payment system, based on the cost of providing care.

HRD Program Contacts

Hospital & Clinical Services Bureau Chief	Brett Williams	444-3634	bwilliams@mt.gov
Medicaid & Health Services Manager, Director's Office	Mary Dalton	444-4084	mdalton@mt.gov

Budget Overview

Hospital Services is a federal/state partnership. 68.30% of funding for the program comes from the federal government. On the state side, Hospital Services is funded with 9.02% hospital utilization fee, .53% tobacco interest, .44% tobacco tax, 0.01% end stage renal disease (ESRD) checkoff, and 21.70% general fund.

Statutory Requirements

Federal - 42 CFR & Title 19 of Social Security Act

State - Title 53, chapter 6 MCA (programs); 16-11-119 MCA and 53-6-1201 MCA (tobacco tax), 15-66-102 MCA (hospital utilization fee); 50-44-102 MCA (ESRD program account)

Major Accomplishments

- **Development of New Inpatient Reimbursement System:** Montana became only the second state in the nation to develop and implement the All Payer Refined (APR) DRG inpatient hospital reimbursement system. This system will allow Medicaid to more accurately pay for differences in severity of illness within DRG's. The number of DRG's available for reimbursement has increased from 400 to1,200. Use of the APR-DRG allows the department simplicity in payment between all prospectively paid hospital providers. This new APR-DRG system is now being considered by many major payers throughout the country. Critical Access Hospitals will continue to be paid based on their costs of providing care. Numerous hospital staff worked for well over a year with the Bureau to design and implement this new reimbursement system.

- **Out-of-State Case Management:** After Medicaid experienced skyrocketing out-of-state hospital expenditures, an FTE was added in 2006 to more intensely case manage out-of-state hospital admissions. This position complements and manages the utilization contract that was already in place that prior authorizes all out-of-state inpatient admissions. These efforts have helped decrease out of state expenditures from 16.5 million in 2006 to 13 million in 2007.

- **Increased Dental Access:** The 2007 Legislature provided funding from HB2 that allowed the department to offer grants to seven Federally Qualified Health Centers around the state to expand access for dental services for low income and underserved individuals. Total funding for these grants totaled 1.18 million dollars.

- **New Federally Qualified Health Center:** The 2007 Legislature provided one time only funding in HB 406 that the Bureau awarded a $1.29 million expansion grant to help start a Federally Qualified Health Center (FQHC) in Flathead County. This one-time grant money is being used to hire staff, purchase office equipment and furniture and remodel a section of the Flathead City-County Health Department building that currently houses the health center. Flathead County has been designated a Federally Qualified Health Center by the federal government but did not receive a federal grant for on-going operational costs to serve indigent clients. Because of the FQHC designation, they will be paid their cost of providing care for Medicare and Medicaid clients.

Health Resources Division (HRD)

Overview of the Managed Care Bureau

The Managed Care Bureau is responsible for both Medicaid service programs and for several programs that "manage" the care of beneficiaries. The Bureau develops policy for coverage and reimbursement for the following provider services: physicians; mid-level practitioners; podiatrists; physician-related laboratories; chiropractors; respiratory therapists; nutritionists; and our Early Periodic Screening, Diagnosis and Treatment (EPSDT) program for children.

The Bureau also operates four programs that assist clients in better managing their health care. The first of these is **Passport to Health**, the primary care case management program that provides a medical home for most Medicaid clients. Passport pays a small monthly case management fee to a provider each month. In return, primary care providers accept a Medicaid client into their practice and "manage" their use of other medical resources. **Team Care** is a more intensive program that manages high utilization clients. It restricts clients to a single pharmacy and practitioner. In addition, it offers education about proper use of medical resources. **Disease Management** is a program for people with asthma, diabetes, heart failure, and pain. Individuals with these conditions are placed in levels of care depending on severity of condition, and receive individual intervention ranging from quarterly mailings specific to their condition, to telephonic intervention, to home visits by Registered Nurses. The Disease Management program is currently administered through a contract with a vendor. **Nurse First** is a nurse advice line available to all people with Medicaid for symptom and treatment options. Nurse First is a 24 hour, 7 day free service that assists clients who wish to discuss their health care or who are unsure of the urgency of their symptoms or where to seek care. The nurse advice line is administered through a contract with a vendor. Callers are directed to the most appropriate levels of care, depending on their symptoms. Callers are advised to seek urgent or emergent care, make an appointment with their primary care provider, or provide self-care at home. Callers to the nurse advice line can also get information about medications and answers to other health-care related questions.

HRD Program Contacts

Managed Care Bureau Chief	Mary Noel	444-4146	manoel@mt.gov
Medicaid & Health Services Manager, Director's Office	Mary Dalton	444-4084	mdalton@mt.gov

Budget Overview

Funding for the Managed Care Bureau is a federal/state partnership. 68.16% of funding for the program comes from the federal government. On the state side, Managed Care is funded with 10.53% tobacco tax, and 21.31% general fund.

Statutory Requirements

Federal - Medicaid Title XIX Social Security Act, 42 CFR

State - Title 53, chapter 6 MCA (Medicaid Authorization); 16-11-119 MCA and 53-6-1201 MCA (tobacco tax)

Significant issues

Impacts to Managed Care Bureau from Healthy Montana Kids Plan (I-155) will include:

- Significant increase in Passport to Health enrollment
    - Each Medicaid-eligible child will be enrolled in Passport and will choose or be assigned a Primary Care Provider
        - Enrollment Broker contractor staffing increase
        - Increase in monthly provider case management fees ($3 per month per child enrolled in Passport)
        - Medicaid Help Line contractor staffing increase
- Increase in Medicaid claims payment (all Medicaid programs)
- Significant impact to Medicaid outreach (currently one FTE)

Major Accomplishments

- Development and submission to CMS of Medicaid Family Planning waiver. The waiver, Montana Plan First, will expand family planning services to women ages 14 through 44 with gross incomes up to 185 percent of the Federal Poverty Level who have no family planning health care coverage. Plan First is designed to be cost neutral over the life of the 5-year waiver. It will eventually save state and federal funds for deliveries and infant care by preventing unplanned pregnancies. CMS approval is expected by early summer 2009. Expected implementation date is first quarter SFY 2010.

- Completion of Team Care utilization study showing $397 per member per month savings comparing client service utilization before and after enrollment in Team Care. No access issues were identified or reported.

- Establishment of Medicaid and Public Health partnerships. Medicaid and Public Health collaborated on asthma and diabetes treatment standards resulting in development of best practices for treatment of these conditions; blood lead screening of young children targeted at children with Medicaid who are found to have higher blood lead levels; and a study on rates of smoking among pregnant women. The study found that pregnant women with Medicaid are 2-1/2 times more likely to smoke than pregnant women who do not have Medicaid. The Managed Care Bureau is instituting a

targeted initiative to encourage women with Medicaid to quit smoking while pregnant. Mothers who smoke have lower birth-weight babies with more health complications than mothers who don't smoke.

- Creation of the Department's first Medicaid Outreach Coordinator position. The Medicaid Outreach Coordinator travels the state extensively to work with DPHHS Offices of Public Assistance, food banks, Tribal Offices, Area Offices on Aging, Head Start and Child Care centers, and other appropriate entities to promote the importance of Medicaid health care coverage for Montana citizens who qualify.

- Montana was one of six states to receive a technical assistance grant from the Agency for Healthcare and Research Quality to participate in the AHRQ Learning Network. Over a period of 18 months, the Managed Care Bureau was able to participate in an exchange of ideas and experiences among state Medicaid programs and to receive assistance and outside expertise to enable the Bureau to put new ideas into practice. Building upon information from the Learning Network, the Managed Care Bureau is redesigning the Disease Management program to more efficiently and effectively serve more individuals with Medicaid. The Bureau received approval from CMS to purchase ImpactPro predictive modeling software with 90/10 funding. This software will enable Bureau staff to analyze claims data and health assessments to identify people who are at risk of developing chronic conditions. Early identification and intervention will facilitate better health outcomes for people with Medicaid and prevent more costly health care needs in the future. By July 1, 2009, the Managed Care Bureau will form partnerships with Community Health Centers across Montana to provide care coordination and care management services targeted to people identified as high, medium, or low risk for developing chronic conditions. Behavioral health issues will be incorporated into these interventions. Community Health Centers have a long history of providing high quality care coordination and case management services to Montanans and this partnership will enhance services provided to individuals with Medicaid in coordination with primary care providers and the Passport to Health program—the medical home.

- CMS conducted a site review of disease management and Passport in July 2008; we have not received the final report but CMS has verbally assured us there were no major findings.

Health Resources Division

Overview of the Children's Mental Health Bureau

The mission of the state Children's Mental Health Bureau is to provide leadership in the development of a system of mental health care for Montana youth and their families that is integrated within the health care system.

The bureau is responsible for designing, developing, managing, and evaluating children's mental health services

The Children's Mental Health Program is organized into a bureau with the following functions:

- Management of Medicaid Mental Health services for children who are seriously emotionally disturbed (SED) under age 18
- Management of some limited non-Medicaid programs including the children's mental health services plan, the supplemental services plan, the system of care account, and respite services.
- Development of a statewide system of care using federal funds through a SAMHSA grant, state appropriation, and local matching fund, as well as contributions from other child serving agencies whenever possible.
- Implementation of community alternatives to psychiatric residential treatment facilities through a Medicaid demonstration grant.

Medicaid Mental Health Services

Through the Medicaid program, the bureau manages the following psychiatric services for children who are seriously emotionally disturbed:

- **Inpatient psychiatric services,** including acute hospitalization, acute and sub-acute partial hospital services, and psychiatric residential treatment facilities (PRTF);
- **Community-based residential services**, including therapeutic group care and therapeutic foster care. The cost of room and board is excluded.
- **Community-based outpatient services,** provided by licensed mental health professionals and licensed mental health centers. These services include individual, group and family therapy; psychotropic medication monitoring; assessment; targeted case management; youth day treatment; community-based psychiatric rehabilitation and support services; and
- **PRTF grant services,** including plan management, consultative clinical and therapeutic services, customized goods and services, education and support services for families, respite, home based therapy and non-medical transportation. These services are available only to youth and families enrolled in the grant. All other state plan services are available to these youth as well. Youth must meet a level of care criteria equivalent to placement in a psychiatric residential treatment facility.

Non-Medicaid Mental Health Services

- Supplemental Services Program, funded with TANF maintenance of effort monies, is targeted at youth who will return home to families with income under 175% of the federal poverty guidelines (FPL).
- The Children's Mental Health Service Plan is limited to low-income youth who are within 160% of FPL and who are not eligible for either Medicaid or the Children's Health Insurance Plan (CHIP).
- Federal SAMHSA grant dollars fund limited non-Medicaid services for youth involved with a local Kids Management Authority (KMA).
- A limited respite benefit is available to Medicaid eligible youth from licensed mental health centers.

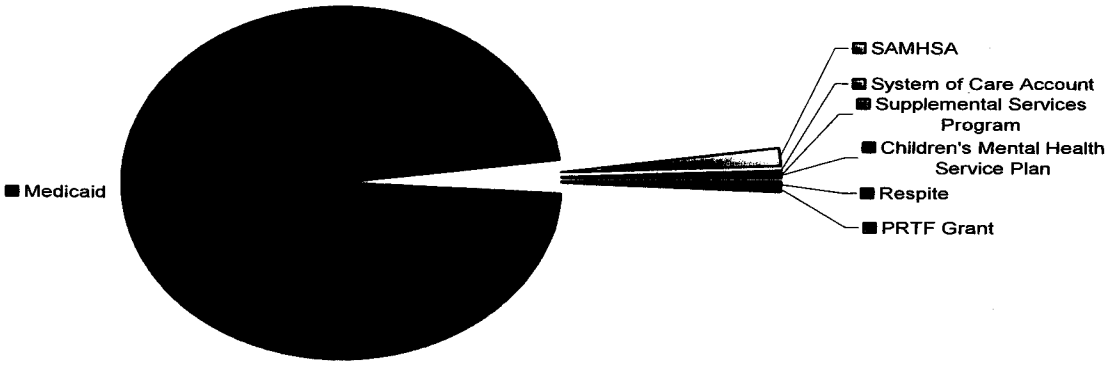
HRD Program Contacts

Children's Mental Health Bureau Chief	Bonnie Adee	444-1290	badee@mt.gov
Medicaid & Health Services Manager, Director's Office	Mary Dalton	444-4084	mdalton@mt.gov

Budget Overview

Funding for the Children's Mental Health bureau is a federal/state partnership, including federal funding of Medicaid and for two specific grants. 67.74% of the bureau's funding comes from the federal government. On the state side, the program is funded with 3.47% tobacco tax, .37% tobacco interest, and 28.42% general fund.

Breakdown of Funding for Children's Mental Health Bureau



Statutory Requirements

Federal – 42 CFR & Title 19 of Social Security Act (Medicaid); Public Health Service Act, Title V, Part E, Section 561, as amended, Public Law 102-321, 42 U.S.C. 290ff (SAMHSA Cooperative); Section 6063 of the DRA 05 (PRTF demonstration grant)

State - Title 53, chapter 6 MCA (Medicaid authorization); 52-2-301 through 309 MCA (System of Care), 16-11-119 MCA and 53-6-1201 MCA (tobacco tax)

Significant issues

- **Response to LFD Issues or concerns:** It is only partially correct that some services for children in foster care now funded by general fund could be funded by Medicaid. Some of the services are for parents not eligible for Medicaid. Some of the general fund expenditures are for services not eligible for Medicaid funding. The Department will examine and maximize Medicaid funding to the extent possible.

- **Passage of I-155, Healthy Montana Kids:** Additional youth will become eligible for Medicaid funded children's mental health services creating the need to expand capacity of some services.

- **End of SAMHSA grant and need to transition KMAs:** Federal dollars to support the KMA infrastructure and/or to expand it are limited and require significant local and state match (the SAMHSA grant federal funding ends completely December 31, 2010). The state's challenge is to preserve the basic functions of the KMA model, while allowing other communities to develop KMAs, within the state appropriation plus local matching funds.

- **Slower than anticipated uptake in PRTF grant:** The PRTF grant enrolls youth who meet level of care criteria for psychiatric residential treatment facilities in the Billings area. When the project began enrolling youth, Billings had fewer youth in this level of care than the other four regions, making the pool of eligible youth smaller than anticipated. Billings was chosen as the first site based on its population and its array of available waiver service providers. The selection of the second site will give more weight to the number of youth currently in PRTFs. A total of at least 3 new sites will be operational by the end of the biennium.

- **Bundling of reimbursement for PRTF services**: There is a change in reimbursement methodology for Psychiatric Residential Treatment Facilities (PRTFs) beginning March 1, 2009. CMS has required that we bundle all payments made for any service received while the youth is in a PRTF. In-state facilities will receive two daily payments per bed day: one is the bundled psychiatric rate based on current appropriation and rates; the second is a facility specific ancillary rate based on what children in that facility have used in the past for state plan services. The Department will cost settle with each facility annually on the ancillary rate to adequately reimburse the facility for the cost it incurs for these services. Should a facility experience catastrophic medical expenses for an individual child, there is the

opportunity to request interim reimbursement in order to assure access to services for such a child. Out-of-state facilities will continue to be reimbursed at their current rate of 50% of usual and customary rates for both the psychiatric and ancillary expenses. It will be important to assure that youth still receive access to all the Medicaid services that are medically necessary, while working with the PRTF providers to reimburse them adequately for the services provided, either directly or indirectly.

- **Cost study of therapeutic group homes:** Therapeutic group home providers completed a cost study for SFY 2008 in October, 2008. The Department is auditing this cost study and will use the information to distinguish the cost of the therapeutic component of this service from the room and board cost. If the cost of room and board increases, access to this level of care may decrease due to limited resources of both families and agencies to pay the increase. This affects juvenile probation, juvenile corrections, and tribal services along with the foster care budget in DPHHS.

- **Need to increase capacity of community services:** During the past two years, CMHB has decreased the utilization of PRTF services, resulting in a savings to the state. In order to continue this trend, and reduce utilization of other out of home services, such as inpatient and therapeutic group home care, more in-home and community services need to be developed. Wrap around service planning, which allows families and youth to identify the services they need and includes the use of the family's informal supports, is not yet available across the state. Developing more community services within the Medicaid program, including certified wrap around planning, is necessary to continue to reduce dependence on out of home care.

- **Transition services for youth who age out of children's services**: Most youth lose access to children's mental health services at age 18. Not all of these youth are then eligible for adult mental health services, but most continue to need access to some supports and services as they transition into adulthood. The Department continues to work on a system that assesses the needs of these transition aged youth, and provides them access to necessary services.

Major Accomplishments

- **Psychiatric Residential Treatment Facility Grant:** Montana was notified on December 18, 2006 that is was one of 10 states chosen from a competitive field to receive a Demonstration Grant under the Deficit Reduction Act (federally this is now referred to as a Psychiatric Residential Treatment Facility grant). This 5 year grant will allow Montana to serve children in their homes and/or communities who would previously have been served in a residential treatment facility. The demonstration grant must be cost-neutral over the 5-year life. Services under the grant are delivered through the Wraparound Service Delivery Model. To promote this model of delivering services, the grant has partnered with the System of Care SAMHSA grant to train community partners about this delivery model. To date there have been trainings in Helena, Billings, and Great Falls.

  Billings, MT was chosen as the first site for the grant. The first youth was admitted into the program in April 2008 and as of December 2008, the grant has served 6 youth. Two youth have discharged, one after meeting the goals set forth by the treatment team; and the other youth was discharged to a higher level of care. Two of the six youth served were a diversion from Psychiatric Residential Treatment care and four were transitions from a Psychiatric Residential Treatment Facility.

- **System of Care Cooperative Agreement with SAMHSA:** As Montana begins its fifth year of this agreement, which ends on December 31, 2010, both major goals of this initiative are underway. The first goal is to implement the values and philosophy of a system of care at the state and local levels. Through the work of five grant funded KMAs (plus other community planning groups), a model for multiagency planning for high-risk youth is developing and being evaluated. At the state level the interagency planning committee is identifying issues and opportunities to improving children's mental health. The second goal is to develop a wrap around planning process that will enable children with SED to access a broad array of services and supports needed to address their unique needs. Wrap around training and certification is underway, as well as developing increased capacity to serve children in their own homes and communities. Development of family education and support is part of the system design, as well as outreach to and empowerment of youth. Cultural competence is another important component of a system of care, along with outreach to minority populations, which in Montana includes American Indians.

- **System of Care Account Implementation:** The 2007 Legislature authorized the System of Care account in HB 98 and allowed the Department to transfer general fund match that would otherwise have been used as Medicaid match into a state special revenue fund. These funds are used to deliver services to high-risk youth with multi-agency service needs to allow these youth to be served in the least restrictive and most appropriate setting. The Department has used this account to purchase services that Medicaid does not pay for in order to serve children closer to their homes. Thus far, the children who received this funding did not go to a higher level of care or were stepped

down from a higher level of care to community services. The Department has developed rules and processes to administer this account. During the first quarter of SFY 2009, the amount authorized was nearly as much as the amount spent in all of SFY 2008, reflecting increased access to this account as illustrated below:

State Fiscal Year	Youths Served	Net Payments
2008	11	$46,232
2009 (as of 9/30/08)	13	$45,321

- **Decrease in Number of Children Served in PRTF**: The state has seen significant decrease in both the number of Medicaid funded children served in PRTFs and in those who go to out-of-state PRTFs. In calendar year 2007 there was a monthly average of 126 children in PRTFs. That average dropped to 107 in 2008. In 2007, on average, 44 children were in out-of-state facilities (35%). That number dropped to 19 in 2008 with only 18% of the youth out-of-state.

- **Key Finding from DMS Health Strategies Report:** On page 1 of the DMA Health Strategies Report commissioned by the last legislature, the consultants concluded that "Montana has been able to build its children's mental health system of Medicaid and SCHIP, creating a comprehensive mental health system with relatively generous eligibility standards". While the report also made recommendations to improve the children's mental health system, most were in line with initiatives already underway. The report concluded that Montana has done an excellent job of maximizing federal funding to support a comprehensive children's system of care.

Health Resources Division

Overview of Indian Health Services

Indian Health Services is a federal program that provides medical services to Medicaid-eligible Native Americans in certain settings. The Montana Medicaid program provides reimbursement for medical services through an Indian Health Service (I.H.S.) facility or other approved contracted tribal entities. By federal law, the Medicaid program acts as the "pass-through" agency for I.H.S. reimbursement, which is funded with 100% federal funds in accordance with the most current Federal Register Notice. This program is administered by the Hospital and Clinic Services Bureau. Further information about the Hospital & Clinic Services Bureau can be found on pages 26 of this document.

HRD Program Contacts

Hospital & Clinic Services Bureau Chief	Brett Williams	444-3634	bwilliams@mt.gov
Medicaid & Health Services Manager, Director's Office	Mary Dalton	444-4084	mdalton@mt.gov

Budget Overview

I.H.S. funding is 100% federal funds.

Statutory Requirements

Federal - Medicaid Title XIX Social Security Act, 42 CFR
State - Title 53, Chapter 6 MCA

Major Accomplishments

The state, I.H.S., and tribes continue to work cooperatively to help Native American people access Medicaid and particularly this 100% federally funded reimbursement stream.

Overview of Big Sky Rx and Related Pharmacy Assistance Programs

A number of pharmacy provisions were passed by the 2005 Legislature (in what was then SB 324) to increase access to and proper use of prescription drugs. These state special fund programs are targeted at an audience that is not Medicaid eligible. Implementation of the programs was assigned to the Department of Public Health and Human Services. The Acute Service Bureau of the Health Resources Division administers the programs. The Bureau performs the following functions: eligibility determination, administration of benefits, community outreach, coordination and referral to other health coverage programs. Further information about the Acute Service Bureau and other programs that they manage can be found on pages 23 of this document.

The **Big Sky Rx** program is a state program designed to compliment the Medicare Part D drug benefit by providing premium assistance to eligible Montanans. Big Sky Rx staff determine eligibility for the program. Individuals must have family income at or below 200% of the federal poverty level and must enroll in Medicare Part D. Big Sky Rx makes a full or partial payment of the Part D premium up to $33.19 per month. Big Sky Rx paid premiums for 7,684 Montanans in January 2009.

The **PharmAssist** program was developed in consortium with the University of Montana, Skaggs School of Pharmacy. A curriculum was developed and training was provided to 185 pharmacists to enable them to become certified to provide patient counseling. Fifty-three of these pharmacists now contract with the Department to provide consultation to individuals to offer information on ways of controlling medication costs and prudent use of medications. Pharmacists involved in this program are not diagnosing, treating medical conditions, or prescribing medications. The participating pharmacist is providing medication management recommendations. All Montanans that would benefit from an in-depth pharmacy consultation are eligible for this service.

The **Prescription Drug Education** program is on the DPHHS web site. It includes a page explaining the program and links to information about prescription drugs, including cost and effectiveness. The site is an educational resource for citizens and medical practitioners to compare the clinical effectiveness and relative cost between prescription drugs.

A fourth program authorized by the 2005 legislature, the **Pharmacy Discount Program**, has not been implemented. Since 2005, most major drug manufacturers have sponsored their own pharmacy assistance programs that provide free or discounted prescription drugs. These manufacturers have been approached several times, but have not shown interest in participating in a Montana Pharmacy Discount Program. Therefore, state efforts have concentrated on linking eligible Montanans with the manufacturer pharmacy assistance programs.

HRD Program Contacts

Acute Services Bureau Chief	Dan Peterson	444-4144	danpeterson@mt.gov
Medicaid & Health Services Manager, Director's Office	Mary Dalton	444-4084	mdalton@mt.gov

Budget Overview

The Big Sky Rx program and the related Pharmacy programs are 100% funded with tobacco tax.

Statutory Requirements

State - 53-6-1001 MCA through 53-6-1020 MCA (program authority); 53-6-1201 MCA (Health & Medicaid Initiatives Account), and 16-11-119 MCA (tobacco tax).

Significant issues

A challenge for new programs like Big Sky Rx is reaching our service population. We have tried many different outreach strategies but have recently found the greatest success with mass mailing to our service population. However, enrollment has lagged behind our expectations.

A challenge for a new program like PharmAssist is building a provider base.
To date, of the 53 contracted providers, 15 have completed the 2008 continuing education requirement and can now provide PharmAssist services around the state. In order to increase our provider base, we continue to refine our certifying process and continuing education packages to better meet the needs of Montana pharmacists. We are concentrating both on keeping existing and encouraging new providers.

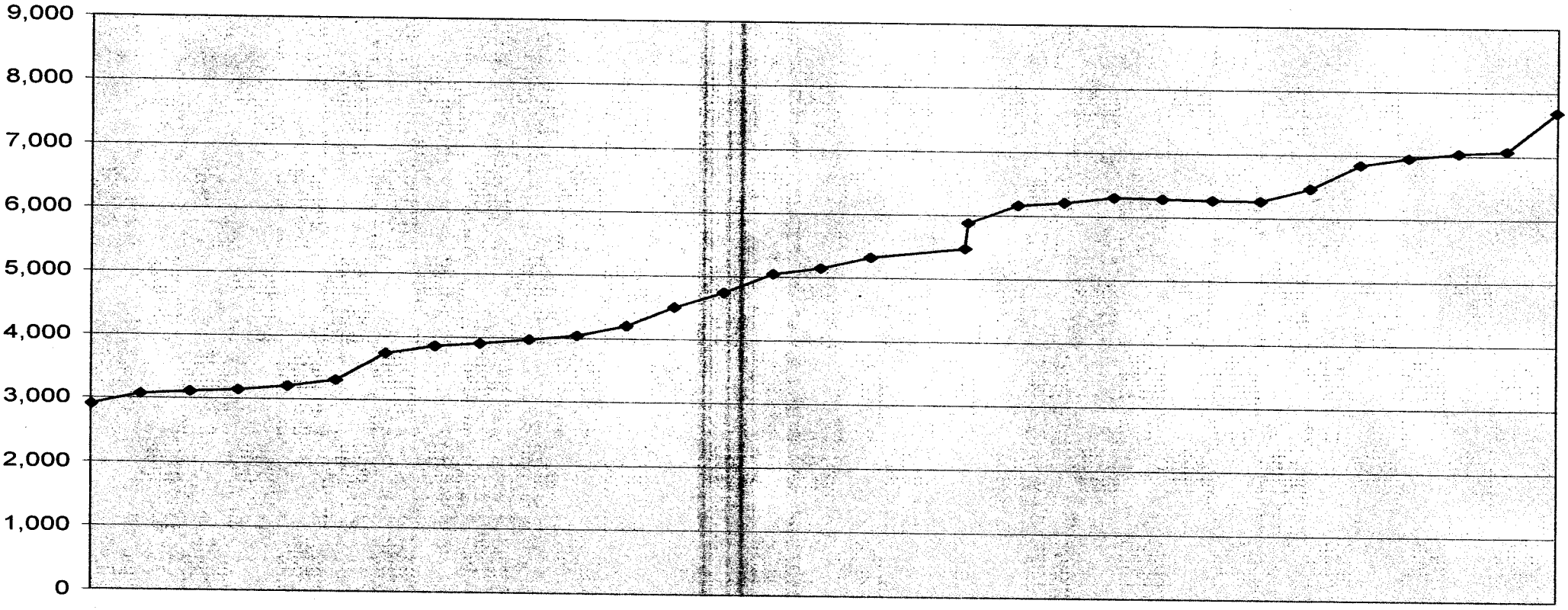
Major Accomplishments

Big Sky Rx increasing enrollment

- In January, 2008 began to temporarily enroll (for 3 months) individuals that are otherwise qualified but need to complete a Social Security Extra Help (LIS) application and receive an eligibility determination. In the past we have found that individuals would not complete the Extra Help application and this temporary enrollment was the incentive needed. Since we made this change, 254 clients have enrolled in Big Sky Rx and an additional 180 Montanans have enrolled in the Federal Low Income Subsidy program.

- Conducted a market analysis that resulted in a mass mailing to 33,897 potential consumers. This first mass mailing on 07/25/08 generated 1,690 returned applications and 889 enrollees. The mass mailing list has been updated and refined and a 2nd mailing to 29,000 potential consumers occurred on 11/28/08. This second mailing has already generated 663 returned applications. Big Sky Rx continues to perform other types of outreach (media interviews, presentations, webinars) and to collaborate with other agencies (SHIP counselors, Resource Centers, Senior Centers) to increase enrollment.

Big Sky Rx Enrollment



	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09
Series1	2,907	3,073	3,113	3,144	3,210	3,315	3,739	3,857	3,905	3,974	4,044	4,206	4,505	4,740	5,045	5,144	5,321	5,473	5,880	6,165	6,213	6,299	6,287	6,268	6,263	6,469	6,842	6,957	7,033	7,074	7,684

Health Resources Division (HRD)

Overview of the Children's Health Insurance Plan (CHIP) Bureau

The CHIP Bureau is responsible for designing, developing, managing and evaluating the Children's Health Insurance Plan (CHIP). The Bureau performs the following functions: eligibility determination; enrollment; administration of benefits for dental and eyeglasses; administration of extended mental health benefits for children with serious emotional disturbances (SED); community outreach; quality assurance; coordination and referral to other health coverage programs; and contract management for medical benefits.

The bureau has 19.00 FTE. The 2007 legislature approved 5.00 new FTE and these positions are currently filled. CHIP hired a Contract Manager, Customer Service Assistant and three Eligibility Specialists for these positions.

Overview of the CHIP Program

The purpose of the CHIP program is to provide health coverage to low income, uninsured children. Children up to 175% of the federal poverty level are covered if they do not have other creditable health insurance coverage or they are not eligible for Medicaid.

The CHIP benefit package is based on an actuarial equivalency of the benefits covered by the state employee health plan. CHIP is administered as a separate health coverage program. The majority of services are paid for through a contract with Blue Cross Blue Shield of Montana which acts as a Third Party Administrator (TPA) to process claims for medical benefits and makes available their provider network. The Medicaid fiscal intermediary, Affiliated Computer Systems (ACS), processes claims for CHIP dental, eyeglasses and extended mental health benefits. The extended mental health benefit is limited to children with serious emotional disturbances (SED).

HRD Program Contacts

CHIP Bureau Chief	Jackie Forba	444-5288	jforba@mt.gov
Medicaid & Health Services Manager, Director's Office	Mary Dalton	444-4084	mdalton@mt.gov

Budget Overview

CHIP is a federal/state partnership. 77.99% of funding for the program comes from the federal government. On the state side, CHIP is funded with 18.70% tobacco settlement, 2.97% tobacco tax, and .34% general fund.

Significant funding issues are:

CHIP Reauthorization bills were passed by Congress but vetoed by President Bush in 2008. Federal funding for CHIP was extended only until March 2009. The allocation amount of federal CHIP funds for the remainder of FFY 2009 or future years is uncertain at this time. It is expected the program will be reauthorized or extended in early 2009.

Statutory Requirements, Significant Issues and Major Accomplishments

Federal – Title XXI of the Social Security Act, 42 CFR Part 457
State – Title 53, chapter 4, part 10 MCA (CHIP), 16-11-119 MCA and 53-6-1201 MCA (tobacco tax); 17-6-606 MCA (tobacco settlement)

Significant issues

Montana voters passed Initiative 155 establishing the Healthy Montana Kids Plan (HMK). This plan calls for expansion of the existing Medicaid and CHIP programs to cover children up to 250% of the federal poverty level (FPL). Coverage is dependent on a number of factors including: federal reauthorization and allotment of funds to Montana; state legislative appropriation for HMK; Centers for Medicare and Medicaid Services (CMS) approval of CHIP and Medicaid state plans; and adoption of administrative rules. Healthy Montana Kids is presented in a separate overview of this document on page 47.

Major Accomplishments

- **Increased enrollment** - The 2007 legislature approved an increase in the CHIP income eligiblity guidelines from 150% FPL to 175% FPL. CHIP developed a statewide network of more than 500 "CHIP Champions". The network is comprised of individuals, businesses, health care providers, schools and organizations which provide CHIP information and applications to families in their communities. CHIP conducted "Back to School" outreach campaigns in Fall 2007 and 2008. Outreach materials were made available to every public school in the state. CHIP staff provided training and updates at all seven Montana Indian reservations and five Urban Indian Clinics. CHIP Outreach staff participate in health care provider meetings, teacher and staff trainings, health fairs and other communtiy events.

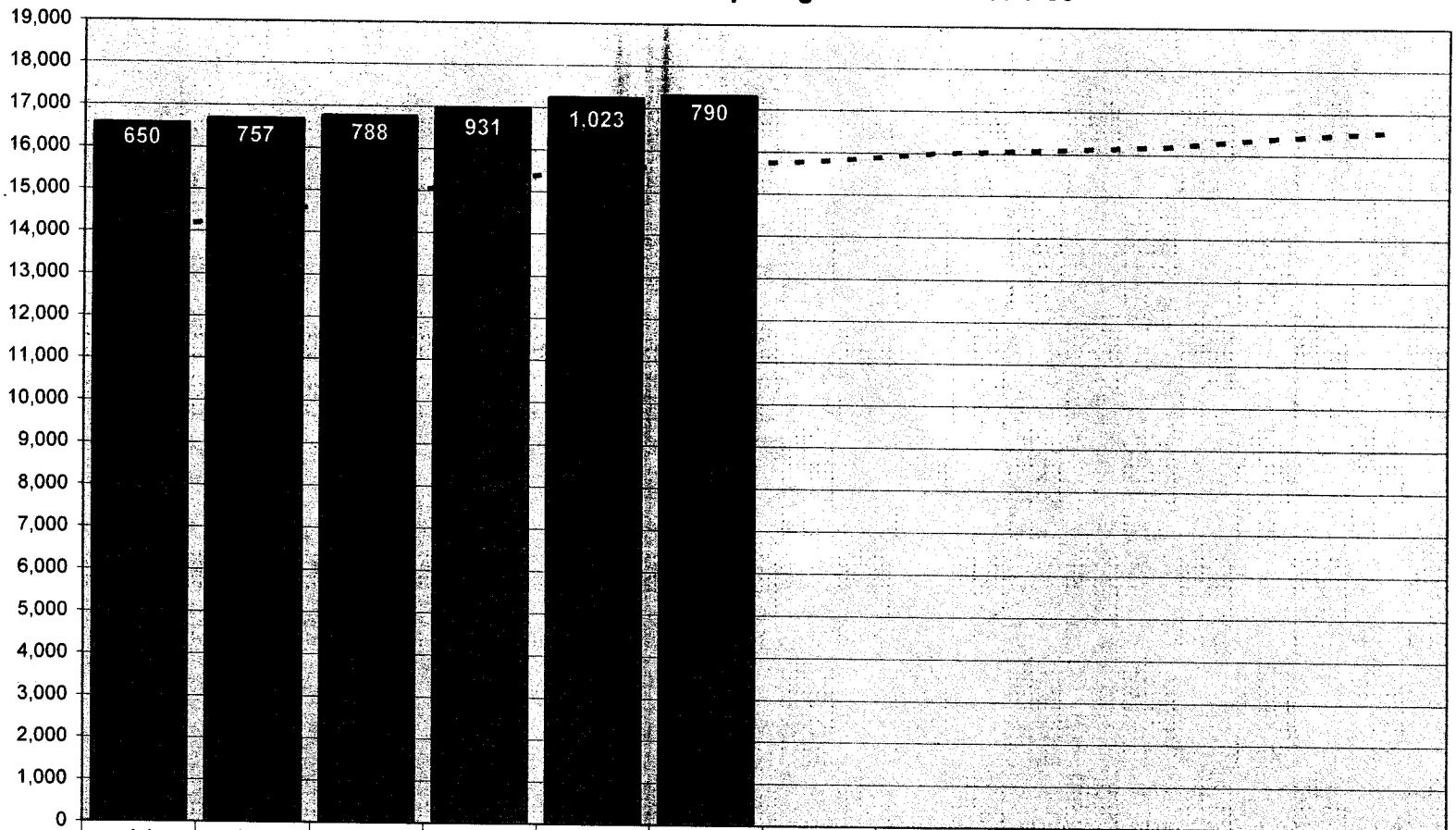
  The number of children enrolled in CHIP increased by 30% from the end of June 2007 to December 2008. There are 17,310 children enrolled in CHIP as of December 2008. The number of Native American children enrolled in CHIP increased by 40% in the same time period. Native American children currently represent 8.5% of children enrolled in CHIP.

- **Extended Dental Plan Benefits** - The 2007 legislature approved funding of $455,996 in SFY 2008 and $453, 926 in SFY 2009 for the CHIP Extended Dental Plan. Prior to approval of this extended benefit, a child with CHIP was

limited to a benefit of no more than $350 per benefit year. This extended dental plan funding was used to pay for up to an additional $1,000 of dental care per year per child. Dental care is prior-authorized on a first come, first serve basis. The extended plan was implemented October 2007 and 1,083 children with significant dental needs have received services since that time.

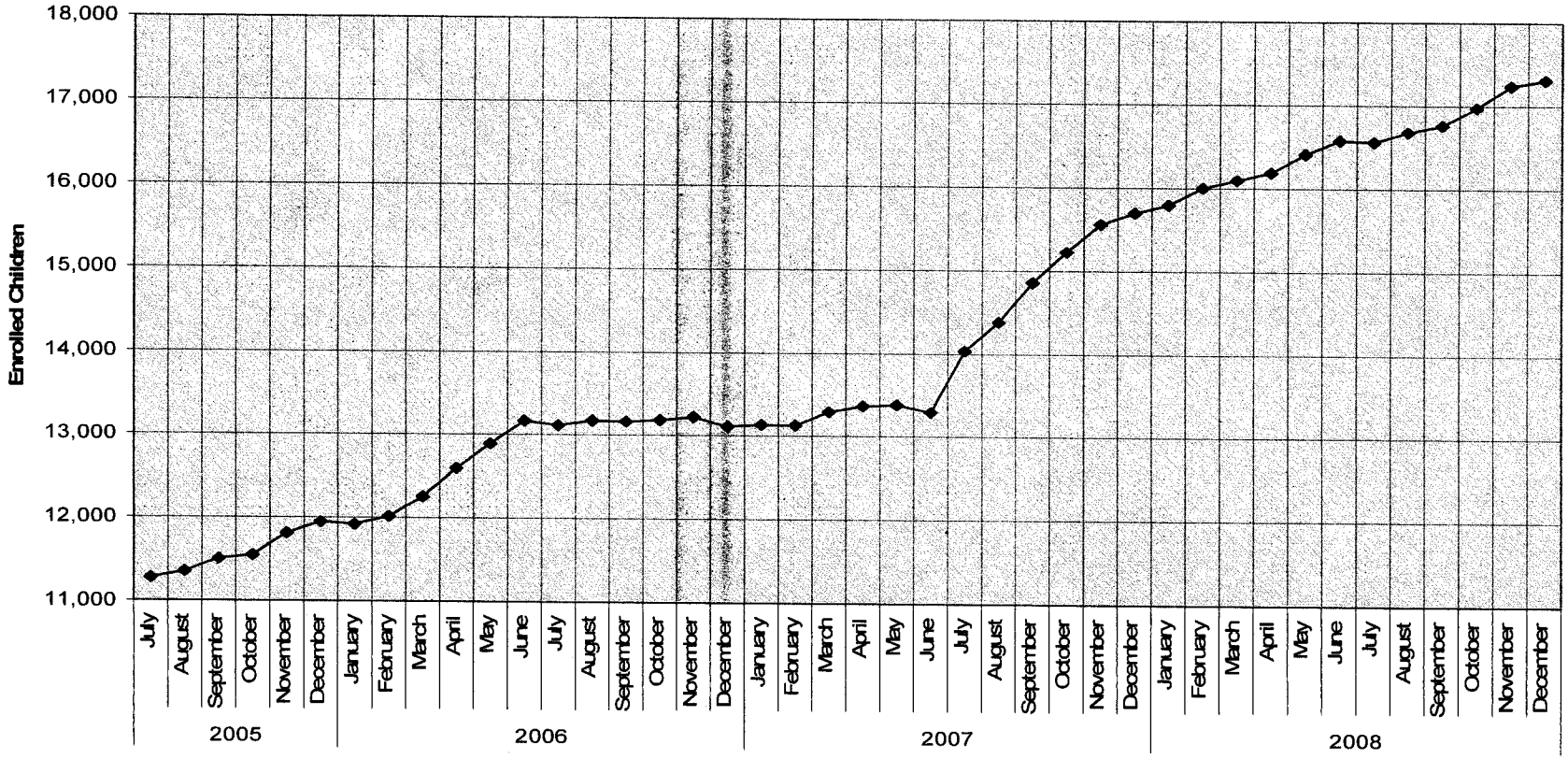
- **Smooth transition to a third party administered program** – In October 2006, CHIP transitioned from a fully-insured product to a health coverage program that is administered by a third party, Blue Cross Blue Shield of Montana (BCBSMT). This transition was designed and implemented to be invisible to CHIP families and providers. As a result of the TPA contract, CHIP cut in half the monthly fee paid to BCBSMT. In exchange for lower BCBSMT administrative costs, the state is now fully at risk for the cost of all CHIP claims.

CHIP Monthly Enrollment: Comparing SFY 09 with SFY 08

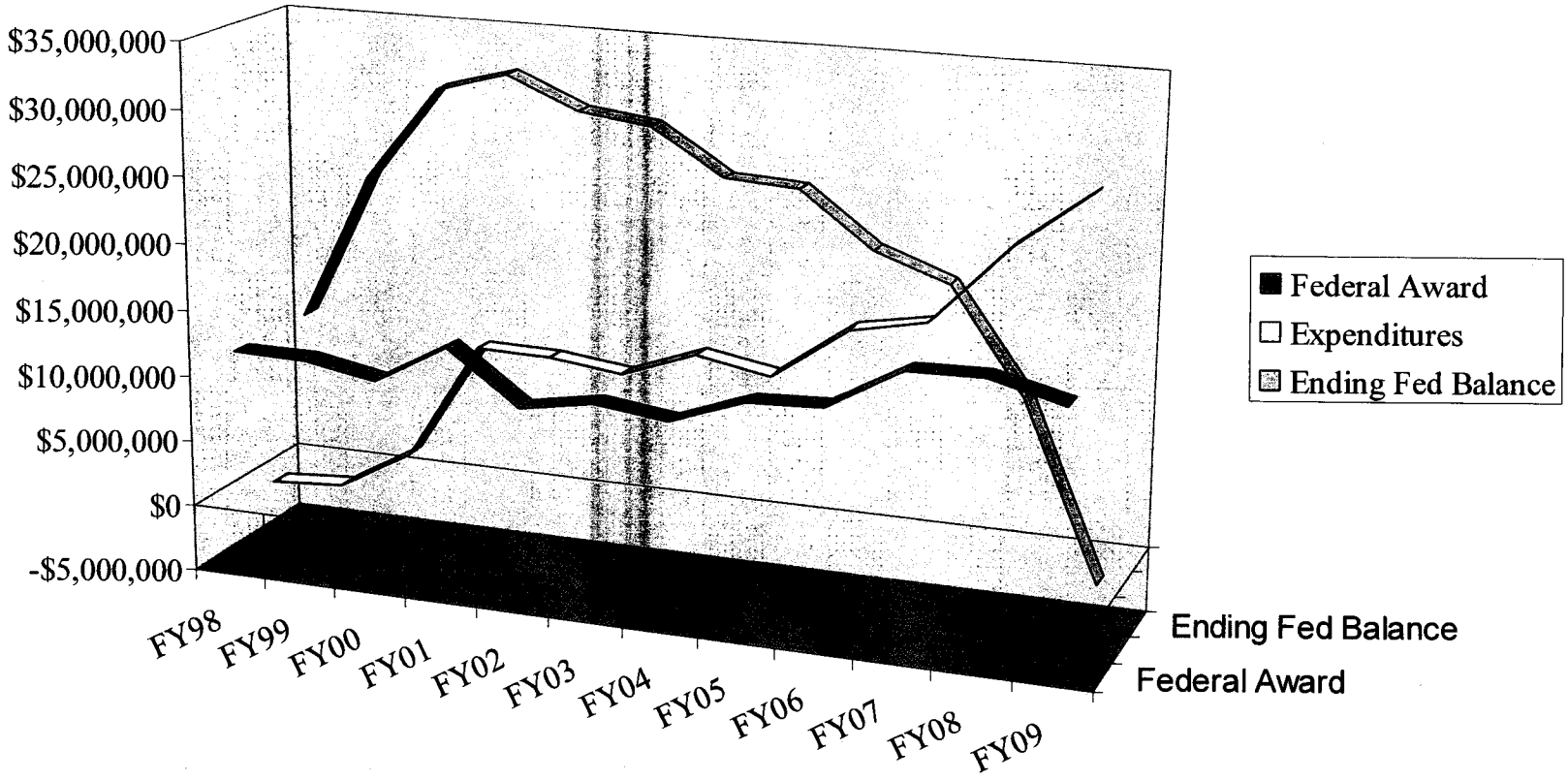


	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
New 09	650	757	788	931	1,023	790						
Cont 09	15,909	15,921	15,974	16,046	16,217	16,520						
Total 08	14,034	14,382	14,860	15,228	15,563	15,700	15,798	16,003	16,096	16,188	16,412	16,576
Total 09	16,559	16,678	16,762	16,977	17,240	17,310						

Monthly CHIP Enrollment
July 2005 - December 2008



CHIP Federal Award vs Expenditures (without federal authorization)



Health Resources Division (HRD)

Overview of Healthy Montana Kids Plan

On November 4, 2008, Montana voters overwhelmingly approved Initiative-155 to establish a Healthy Montana Kids Plan. Healthy Montana Kids will offer health care coverage to uninsured kids by increasing the eligibility for Medicaid and CHIP to 250% of the federal poverty rate. In addition, the Initiative:

- Re-names the Medicaid and CHIP program for children the Healthy Montana Kids Plan and requires this name be used to the extent possible under federal law
- Streamlines the Medicaid and CHIP programs to make it easier for kids to receive services
- Provides for the use of enrollment partners
- Provides for presumptive eligibility
- Eliminates the resource test for children when determining eligibility for Medicaid

- Provides for a 3 month waiting period for CHIP for children already covered by insurance
- States that the Department may provide premium assistance through employer-sponsored plans
- Establishes a special revenue account for the Healthy Montana Kids Plan that consists of 33% of the money collected under 33-2-705 MCA (source is from fees and licenses for insurers in Montana)
    - Unexpended balance remains in the account and can only be used for Healthy Montana Kids Plan health care coverage
    - Funding available for additional enrollees after the effective date of the Initiative (November 4, 2008); costs of enrollment; and administrative costs

The Department of Public Health and Human Services will implement the Healthy Montana Kids Plan. The Health Resources Division budget contains the request (DP-11011) for spending authority for the benefits and operations portions of Healthy Montana Kids in SFY 2010 and 2011. The Health Resources Division administers the mental health, acute and primary care Medicaid service programs. HRD also manages CHIP benefits and determines CHIP eligibility. Implementation work, however, will be a cooperative effort by several Divisions in the Department. Key to this endeavor are the Human and Community Services Division, which determines Medicaid eligibility, and the Technology and Services Division, which oversees eligibility system development for both CHIP and Medicaid.

Further background information is available on the handouts from the 1/9/09 presentation to the Health and Human Services Joint Subcommittee by Mary Dalton and Jackie Forba of DPHHS.

HRD Program Contacts

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Budget Overview

Decision Package in HRD (DP 11011 - Healthy Montana Kids Plan):
This present law adjustment adds 60.00 new FTE, $36.0 million from Montana Healthy Kids state special revenue funds and $72.6 million in federal funds over the biennium to expand Medicaid and CHIP programs for children's health insurance enacted by the passage of voter Initiative 155 - Healthy Montana Kids and effective November 4, 2008. This request is contingent upon federal approval of both CHIP and Medicaid state plan amendments and the receipt of matching federal funds.

The legislature would also need to approve HB157 which Representative Chuck Hunter is introducing at the request of the department. The bill provides for revisions to the Healthy Montana Kids (HMK) Plan Act, provides for extended rulemaking authority, delays implementation of the act subject to federal funding, provides an appropriation for SFY 2009, and provides for an immediate effective date for HMK.

Statutory Requirements

Federal - Title XIX and Title XXI of the Social Security Act

State - Initiative-155 codified at 53-4-1101 through 53-4-1115 MCA; Medicaid codified at Title 53, Chapter 6 MCA; CHIP Codified at Title 53, Chapter 4, MCA

Significant Issues

The Department will strive to make implementation of Healthy Montana Kids as streamlined and seamless as possible for the families and providers who use the program. At the administrative level, however, federal CHIP and Medicaid regulations must be followed in order to obtain federal funding match.

State Plan Amendments must be filed with and approved by the Center for Medicare and Medicaid Services (CMS) prior to Healthy Montana Kids implementation in order to draw down federal funds.

CHIP must be re-authorized by Congress and the President.

In order to increase Medicaid coverage to a higher federal poverty level, CMS must reverse its current position of "Once CHIP, Always CHIP". The current interpretation holds that if a state, such as Montana, is covering children up to 175% of poverty

under their CHIP program, they cannot now amend their state plan and choose to cover children up to 175% of the federal poverty level under Medicaid. If CMS continues to hold this position, it will severely limit the expansion of Medicaid coverage under Healthy Montana Kids.